Philanthropy, Self-Fulfillment, and the Leadership of Community Foundations

BY JOE LUMARDA

The usual question echoing in the hallways of nonprofit organizations is, What do donors want? The more pertinent question is, What do donors need? One way to answer this question is to examine the remarkable success and consequent challenges of one of the fastest growing sectors of American philanthropy: community foundations.

These institutions were founded almost a century ago by banks to manage the disposition of charitable trusts and bequests to their charitable beneficiaries. Community foundations grew at a relatively slow and steady pace until the introduction of the Tax Reform Act of 1969, which placed harsh restrictions on private foundations. Community leaders and financial institutions saw how community foundations could provide a permanent, accountable, and flexible alternative (with greater tax benefits) to private foundations. With an emphasis on social sector knowledge and donor service, these philanthropic vehicles quickly became part of the toolbox of estate-planning attorneys, accountants, and financial planners.

Two other changes aided this growth. Beginning in the mid-1980s, community foundations began recruiting and hiring full-time asset development professionals (fundraisers). After years of emphasizing grantmaking, the field recognized the need for balance—for people to market and manage the relationships with donors and their advisers. The second change was the introduction of donor-advised fund services. In the past, community foundations managed donor assets after the donor's death (one wit described them as "the United Way for the dead"). Donor-advised funds are for the living. People donate to the community foundation and receive the same tax benefits as when they donate to a public charity. The donor frequently advises the fund, regularly recommending gifts to nonprofit organizations. This opened up a new constituency and source of dollars and donor service for the community foundation.

Today there are more than 500 U.S. community foundations serving every major metropolitan area, with total charitable assets of approximately $30 billion. The California Community Foundation, where I work, grew from less than $20 million in 1980 to more than $500 million in 2000. The field grew similarly. According to the *Chronicle of Philanthropy* (Nov. 10, 2000), "Community foundations' assets have more than doubled since 1995 and more than tripled since 1994. Gifts to community foundations rose more than $3.6 billion, a 28 percent increase from the year before. Community foundations gave out $1.9 billion in grants, an increase of 26 percent from the $1.4 billion distributed in 1998."

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A Hierarchy of Donor Needs

What does this growth say about the original question, What do donors need? To answer this, I turn to Abraham Maslow and his well-known hierarchy of needs.

Maslow asserted that human needs are organized in a pyramidical hierarchy, with the fundamental needs for survival, food, and shelter at the base. At progressively higher levels are found the needs for security and social interaction. At the highest level is the need to learn, grow, and reach one's potential, to be (in his terminology) self-actualizing. As lower needs become reasonably satisfied, successively higher needs become influential in motivating human behavior. When a lower need remains unsatisfied, factors such as learning, creativity, innovation, or self-esteem remain insignificant.

This hierarchy first influenced the field of human resources management. A generation ago the majority of personnel directors used it as a policy guide for motivating employees. More recently it seems to have lost popularity. But within the donor context, Maslow's hierarchy yields significant insights for the management of all nonprofit institutions. The key is to use the hierarchy to address the right question: What does the donor—not the organization or the employee—need?

Although not all organizations are in a position to meet the needs of a donor, community foundations are particularly well positioned to provide a flexible and freely chosen means to satisfy a donor's needs, dreams, and desire for self-actualization.

The progressive needs of donors parallel Maslow's hierarchical framework. Most donor needs correspond to a management challenge.

Physiological Needs ↔ Operational Effectiveness

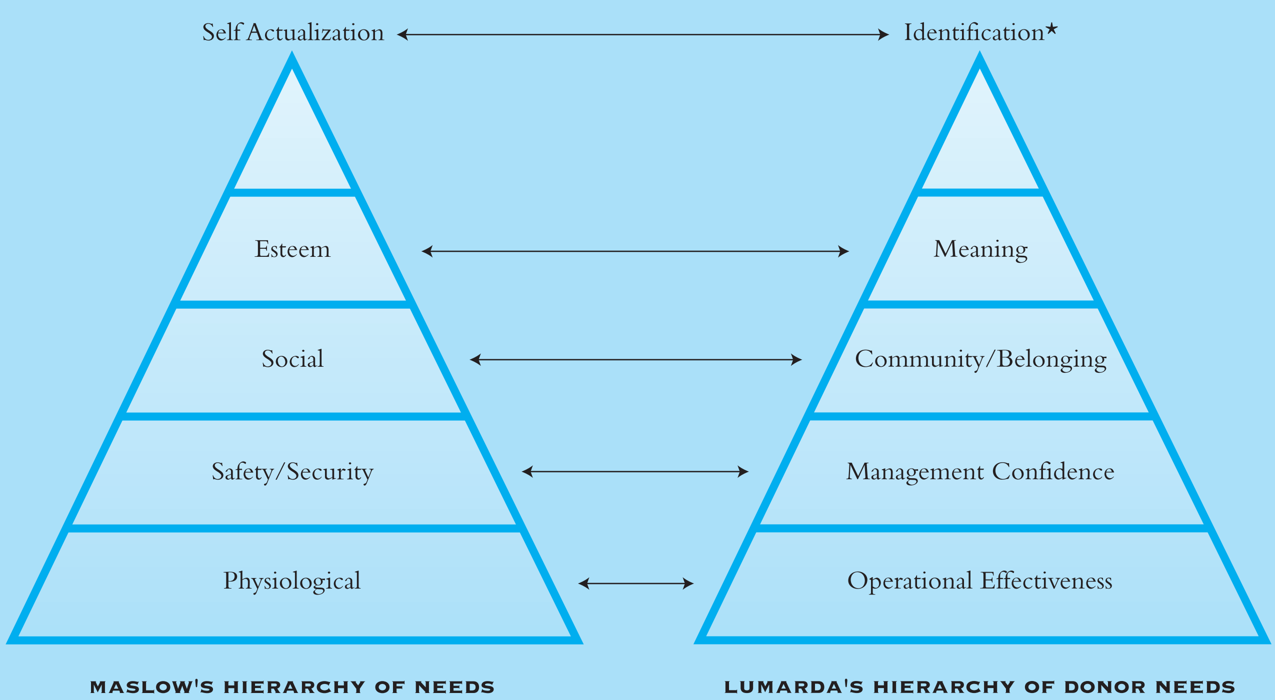
The first and most basic needs noted by Maslow are the physiological. Without food, air, and water, the other needs will never become important. What are the air, water, and food of the community foundation? The operational counterparts are (1) the ability to receive dollars, (2) proficient grantmaking administration, and (3) the regular conveyance of information.

When a donor first approaches the community foundation, he or she must feel complete trust in the ability of the organization to receive and recognize the asset, be it cash, real estate, stock, small business interests, retirement plans, intellectual property, tangible personal property, and so on. Most community foundations have grown steadily in their capacity to handle complicated assets. The following questions are key to evaluating the donor's initial and ongoing transactional experience and the community foundation's competence:

- *Are you available?* How long does it take for you to get back to me?
- *Are you competent?* Can you be a charitable giving resource to me and my advisers?
- *Are you honest?* Will you tell me you don't know when you don't?
- *Are you ethical?* A growing number of charitable tax scams are disguised as legitimate techniques. A related question is, *Can you say no?* Community foundations are judged as often by the gifts they reject as by those they accept.

The next basic need is grantmaking administration. When donors first come to the community foundation, they see their assets going into a segregated fund, typically with their name on it. From this fund they will make grants to their favorite charities. They see the word *foundation* and at that moment, quite naturally, simply ignore the word *community.* They focus on the word *foundation* as it pertains to their first, immediate, and familiar grantmaking needs.

Donors' needs evolve as the service moves from gift completion to grant administration. Donors must feel confident that their funds are handled well as they are contributed to the community foundation, and they must know that there is commensurate efficiency as funds are granted. These needs are most apparent with donors and their advised funds. The three A's of community foundation grant administration are *accuracy, alacrity,* and *acumen.*



Paul Schervish Identification Model

To meet these needs, community foundations are increasingly expediting and customizing service for donors. *Accuracy* ensures that all the grantmaking i's are dotted and t's are crossed for each donor and its recommended grantee: Did we note their name correctly? Did we send the grant to the right branch of the Salvation Army? Though a community foundation is in control of the donor-advised grantmaking process, *alacrity,* or promptness, should be expected from a professional grantmaking organization. Finally, *acumen,* which stands for the value-added insight that a community foundation provides to a donor, is best represented by the question, Is there anything I should know about this organization?

This last item points to another basic need of the donor: information. Through the Internet and other vehicles of contemporary media dissemination, people can get their stock quotes and bank balances at the click of a mouse. The immediacy of information affects the foundation–donor relationship. Donors desire more and more information more and more quickly. So community foundations have added staff to support the needs of donor advisers as they pursue their charitable objectives—whether those charitable objectives include a simple grant or full analysis of their favorite issue.

Management Challenge 1:
How do we build a workforce of community foundation knowledge workers?

If our goal is to provide efficient transactions and cogent information, what type of workforce do community foundations need? Community foundation employees must be the kind of knowledge workers described by Peter Drucker, that is, "people with knowledge [who] take responsibility for making themselves understood to those who do not have the same knowledge base. It requires that people learn—and preferably early—how to assimilate into their own work specialized knowledge from other areas and other disciplines."

The new "it" of Drucker's comments is a culture of knowledge and service. This culture places emphasis on continual learning and sharing among staff, donors, other foundations, and the community. This means that employee attitude and fit with such an environment is just as important as (if not more important than) technical skills or experience. One example that Drucker frequently cites is the work of the hospital nurse: if you feel that the technical expertise of a nurse is the only requirement for the job, then you've never been taken care of by a nurse! According to Drucker, the most important job of the nurse is to exercise compassion, to be fully present for the patient, and to be willing to go the extra mile.

What does the donor—not the organization or employee—need?

Similarly, these characteristics are needed for the community foundation knowledge worker: a compassionate nature, a communicative style, intellectual curiosity, and a passion to serve donors and the community. The last aspect is important for customers—the donor typically comes to the community foundation table with passion for a cause. That enthusiasm and commitment must be met in kind. There is a scene in the movie *The Color of Money* in which Paul Newman and Tom Cruise accurately depict this intangible attribute of the community foundation knowledge worker. Newman's character explains that skill with the cue stick around the pool table is secondary to "the art of human moves." It's this art of human moves that is essential for dealing effectively with donors and their advisers, with nonprofit organizations, and with our fellow employees.

Security ↔ Management Confidence

Maslow describes the need for safety from the perspective of a dependent child. In order for children to live without undue anxiety or fear, they need to know that their well-being is by and large secure—that is, that what is being fed to them daily is hazard-free and good, that there is a relative order and predictability to their days, and that they are protected in times of emergency or chaos.

How is this need analogous to the donor's experience? When a gift is given to the community foundation, the donor loses control of those dollars because the Tax Code requires this loss of control to receive the corresponding tax benefit. This leaves the donor in a position of total trust and dependence on the community foundation. Testamentary gifts add an even greater level of faith in the institution's future. There is another, more extreme, aspect of dependence: the person making a charitable bequest will not be around to make sure his wishes are being honored.

Employee attitude and fit are just as important as technical skills and experience.

There are three ways in which donors require confidence in the security and management of the community foundation: (1) fiscal security of the dollars, (2) trust in the culture and people, and (3) confidence that their charitable wishes will be honored faithfully—within reason.

Because of the availability of investment information, donors and their advisers put community foundation personnel through their paces when it comes to an explanation of investment policies and practices. Historical returns, asset allocation, expense ratios, and risk tolerance are the inquisitional hoops that we must jump through to satisfy a donor's need to ensure fiscal competency.

Whatever the donors' personal investment inclinations, they all have the same concern: safety. Even the most experienced and highly risk-tolerant donor will often say, "I hope you are not too conservative, but I don't expect you to invest your funds like I do." They seem inherently to know that we need to answer not only to them but also to the whole community, not to mention state and federal regulatory agencies, and even to future generations.

The second aspect of the need for security is the donor's confidence in the community foundation's corporate culture and people. Very often, potential donors will conduct extensive due diligence on these issues. Trust in the future is attained only through a clear elucidation of past performance and current demonstration of the corporate culture.

Finally, donors need to know that their charitable wishes will be followed now and in the future. Unfortunately, trust in the nonprofit sector and its assets has recently been called into question. The scandals involving United Way of America, fundamentalist religious groups, and the Foundation for New Era Philanthropy have sown seeds of suspicion within the potential donor community. Activities within other sectors of philanthropy have not helped. Some private foundations, for example, have recently gained notoriety for their U-turns in grantmaking policies and priorities despite the clear intentions of their founders.

Donors do not always base their judgment on the assumption that good words and intentions indicate reliable management and positive outcomes. Each year, more and more community foundations are asked, "How do I know you are who you say you are?" Donor due diligence is not a bothersome process; rather, by establishing a relationship, a donor rebuilds trust in the nonprofit sector as a whole.

Management Challenge 2: How do our spirit and our practice of openness ensure and demonstrate security and trust?

The work of community foundations is a case in which familiarity does not breed contempt—it breeds confidence. As contradictory as this may sound, a community foundation will ensure institutional security by living in a glass house. The donors, the nonprofit community, and the public in general must have freedom to evaluate information about the way community foundations operate, manage funds, assist donors, make grants, and set priorities. Lack of active, forthright knowledge breeds insecurity.

Lack of knowledge breeds insecurity.

The community foundation must be a leader in the spirit of full disclosure of financial information to the community. For example, the California Community Foundation was one of the first foundations of any kind to post its full annual report, audited financial statements, and IRS 990 tax returns online. The use of the Web is ideal not only for such disclosure but also for sharing grantmaking guidelines and processes with the community.

The greater commitment to institutional openness needs to correspond to community foundations' own growth. Many institutions, whether nonprofit, for-profit, or governmental, tend to become more withdrawn and distrustful as their size increases. As a friend in the entertainment industry has commented, "Stardom can breed suspicion." But it is precisely at this time of great growth and increasing influence that community foundations must accentuate openness and disclosure as part of their commitment to the community.

Social Belonging ↔ A Community of Donors

Maslow believes that the higher needs begin with the desire for social and emotional belonging. At this stage in the hierarchy, he notes, "the person will feel as keenly, as never before, the absence of friends, or a sweetheart, or a wife. Or children. He will hunger for affectionate relations with people in general, namely, for a place in his group, and he will strive with great intensity to achieve this goal."

By definition, the community foundation is a natural community of donors, living and dead. No other institution in the world can so powerfully and credibly state the claim of partnerships with thousands of donors, each with a personalized philanthropic mission.

Heretofore, donors to the community foundation did not know their institutional neighbor funds (donor advised funds in particular). Each fund acted very much like an island unto itself. More and more, people wish to belong to something quasi-familial that still allows them independence. This is proven each time I show potential donors the community foundation's annual report. Their eyes make four noticeable actions. First, they look for someone they know. They are searching for familiarity in our list of donors to bolster their confidence and comfort level—someone to call to ask how this philanthropic arrangement goes.

Second, they survey the leadership, the board of directors. "Is there anyone here I know, whom I can contact or whom I recognize?" This roster is a primary indicator of organizational personality—and they wish to know if they could get along with these people.

Third, they look at the number of donors to the community foundation. "Is this popular or elitist? Am I the first one in line to this organization? How many other people have come before me and are still here? Finally, where does the foundation make its grants? Do I feel comfortable with the priorities and values of the organization?"

A powerful virtual community for foundations could be created in the years ahead.

Today, community foundations bring donors together. At my community foundation, we invite donors to regularly scheduled gatherings with prominent speakers on timely national or local community issues. At these meetings, donors become acquainted with one another, share their charitable interests, and possibly forge philanthropic partnerships that might initiate collaborative or enhanced grantmaking.

Other community foundations are searching for ways to meet this growing social need. The SV2 program started by Community Foundation Silicon Valley is a specialized donor collective. Donors, most of whom are Silicon Valley high-tech executives or engineers, contribute to a fund and participate in a communal grantmaking process. Many community foundations hold an annual meeting for the entire community, where donors, grantees, and community leaders gather to receive a state-of-the-foundation report and to network among themselves.

Management Challenge 3:
How do we use technology to create a better community of donors and foundations?

Collectively, community foundations control more information on local nonprofit organizations than any other group of similar institutions nationwide. Currently this information is shared via phone, fax, and e-mail. A powerful virtual community for community foundations could be created in the years ahead. The potential exists for aggregating and disseminating this vast and valuable programmatic information via a common network. It could be used by, say, donors in Los Angeles seeking the best child care center in their hometown in the Midwest. Imagine, moreover, that community foundations conducting local studies on school reform could access and download hundreds of white papers covering this issue from San Francisco to Chicago to New York. Private foundations could access the opinions of local community foundation program experts on such specialized issues such as the environment, the arts, or animal welfare.

This brings new meaning to the term *community of donors.* Using technology, the community of community foundations could be both a repository for a vast wealth of local knowledge and a place to interact with like-minded supporters or learners.

Esteem ↔ Meaning

Maslow contends that the need for self-esteem is "based on the real capacity, achievement, and respect from others." He asserts that you must first have esteem for yourself and then desire the esteem of others. What community foundations often experience is somewhat different.

Donors naturally come from a position of abundance. In our society, such abundance naturally attracts the esteem of others. In the nonprofit world, this is most readily apparent in the way we recognize donors—with names on buildings, award events, and the like. These are time-honored methods that have produced much good in this country. For many, however, such lavish recognition is seen as exchanging gifts for esteem.

The esteem of others may come from position, money, or power, but it is the inner search for meaning and purpose that provides a sense of security, contentment, and true self-esteem. In the article, "Do You Have the Will to Lead?" philosopher and business consultant Peter Koestenbaum noted, "Unless the distant goals of meaning, greatness and destiny are addressed, we can't make an intelligent decision about what to do tomorrow morning, much less set a strategy for a company or for human life. Nothing is more practical than for people to deepen themselves. The more you understand the human condition, the more effective you are as a business person."

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What is the significance of all this talk about meaning for donors and the community foundation? Our type of foundation is not accustomed to giving the quality of recognition that many major donors traditionally receive. We do not name buildings or give big awards dinners. Community foundations can facilitate grants that support such activities, but it is not the way we operate our business or acknowledge our donors.

Community foundations are in the exclusive position of being public charities that can, to use Koestenbaum's phrase, assist a donor in examining the "distant goals of meaning, greatness and destiny." Community foundations do this best by matching the needs of the donor to the needs of the community.

Many donors who come to community foundations are what may be called "accidental philanthropists." Ask them how they made their money and they'll simply say, hard work and being at the right place at the right time (in other words, they were lucky). Ask other donors why they are giving and they will say half-jokingly that their accountant stressed the need for a deduction, and of course they wish to give back to the community. Ask them what they want to support and they will say their alma mater, their children's school, their church or temple, some causes that their friends support (the social need), and some organizations they read about in the mail.

Then we ask our questions: But what do *you* wish to give to? What do *you* feel passionate about? What do *you* love about your community? These questions are met with blank stares, a glance at their direct mail brochures, and then a moment of unaccustomed introspection with respect to the individual's personal feelings about the community. What follows later is often a steady stream (that may turn into a flood) of feelings, experiences, opinions, and passion (for children's health, education, pets, domestic violence, and the like). This list sets the framework for our relationship: go here, don't go there; go slow on this, I want this tomorrow; let me know what you find, I want to see for myself. This is the first step in defining philanthropic meaning, which in many ways affects and forms personal meaning.

Management Challenge 4: How will the community foundation serve the "New New" donor?

In a recent issue of *Fast Company,* a gathering of leaders ("Fast Pack 2000") from fast-growing (mostly high-tech) companies, business thinkers, and educators convened to discuss a wide range of topics, including "Can Hope Scale Up?" A friend of the community foundation world, Bill Strickland was one of the first speakers. He told the story of his enormously successful Manchester Craftsman Guild and Bidwell Training Center in Pittsburgh. The first response in the roundtable discussion came from Gil Bashe, CEO of HealthQuest, a health care and marketing services startup:

"My reaction to everything you have told us is that everything you are doing is spectacular, but it isn't good enough. Here's what I mean. You can go from city to city in the United States and find people who are creating powerful institutions that deal with kids and poverty. St. Louis, Seattle, Boston, San Francisco and other cities across the country have these programs. But that's not enough. You tell us it could take 30 years or more to return hope to our inner cities. But we don't have 30 years. It's got to happen in 5 years. So the question is, How do we get programs like yours into 100 cities within 5 years? We need to figure out how to get that done, because the problem is growing faster than the solution."

What you are doing is spectacular, but it isn't good enough.

As Gil Bashe applauded Bill Strickland, I applaud Gil's sense of urgency. This example, and my experience, show that these are the identifiable tendencies of the new (which often means high-tech) donor:

Do it themselves. Often their answers lie in a new organization instead of supporting the tried and true. This entrepreneurship could be very good for the nonprofit sector.

Do it fast. From 30 years to 5—this is an admirable goal.

If it doesn't happen, then what? This is the main concern for many nonprofits. Beyond the aggressive goal and initial pledge, what other commitment is there? And if this pledge is not met in five years, then what?

Self Actualization ↔ Identification

Introducing the highest need, Maslow states, "We may still often (if not always) expect that a new discontent and restlessness will soon develop, unless the individual is doing what he is fitted for. A musician must make music, an artist must paint, a poet must write, if he is to be ultimately happy. What a man *can* be, he *must* be. This need we may call self-actualization."

Maslow uses the examples of a musician, an artist, and a poet in his definition. It can be assumed that any vocation, if it satisfies and completes the individual, may lead to self-actualization. But my experience offers an alternative path to this higher state, and this is what, in closing, I want to share.

Time and time again, donors tell me that if there is one thing that wealth gives them, it is a greater sense of freedom. Wealth allows the freedom to choose a new avocation separate from their wealth-building focus. Boston University researcher and sociologist Paul Schervish, an expert on the subject of wealth and philanthropy, has observed that "the fact that the wealthy do not have to work ironically results often enough in their wanting to work; they are free to select and shape their work so that it becomes a source of satisfaction, self-actualization, and effective accomplishment."

For some, self-actualizing wealth leads to founding a new business; for others it means more time with the family; for many, it signifies an opportunity for volunteerism and philanthropy. I have found that donors typically are looking for some kind of fresh start. "Financial security is here," they say, "now I get to do something worthwhile with my spare time and money." They also claim, "Now I get to do something good," or "Now I get to have some fun," or "This is like a second career." Some will use the existentially transformational language of "I'm a different person." Schervish talks of *adoptive philanthropy:* "Where donors support individuals on the basis of a feeling of surrogate kinship." *Kinship* is an interesting choice of term. It connotes a familial relationship. Adoptive philanthropy allows a donor to share the experience and vulnerability of the recipient. "There but for the grace of God go I."

This impulse is understandable for organizations such as the Salvation Army or the family-counseling agency, but do donors really achieve an equal identification with a community foundation? They do. I recall some years ago a very exigent donor, who was near death, saying, after he'd checked out our organization from top to bottom, "I guess you'll be me. . . ." By this he meant that he expected the community foundation to be like himself in the years to come—in all his wisdom, inventiveness, entrepreneurship, risk-taking, stubbornness, curiosity, and humor.

That dying donor had a greater identification with the customized vehicle our organization provided than with the actual causes to which his money would flow. He identified not with the ultimate scholarship recipient but with the entity—the community foundation—that would be his eyes, ears, and spirit. Over my five-year relationship with this man, we worked together through all the needs, from basic to higher, from transaction to transformation. The flexibility, the permanence, and indeed the soul of the community foundation allowed him to view philanthropy as his final and best calling and, I am convinced, as the means to his ultimate self-actualization.

Such a passing on of trust and responsibility can be awe-inspiring. Some time ago, during a long-range planning session of the California Community Foundation, Peter Drucker quipped, "One of the main reasons you exist is so that donors don't look stupid many years later." The attendees enjoyed a good laugh at that remark, but Drucker remained dead serious. He went on to say that this type of confidence is not to be taken lightly. Giving over one's judgment, reputation, and philanthropic persona is a special and serious business. ■