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The Golden Donors: A New Anatomy of the Great Foundations

By Waldemar A. Nielsen

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REVIEWED BY DAVID E. SPIRO

Member, The Ontario Bar

This book is a detailed and thorough study of the largest U.S. foundations. A total of 36 foundations is discussed, each with at least \$250 million in assets at the end of 1984. This constitutes one-half of the assets of all U.S. foundations.

The watershed development in the modern history of large U.S. foundations was the passage of the 1969 *Tax Reform Act* which forced most U.S. foundations to divest themselves of shareholdings in related corporations and which directed them to disburse a portion of their earnings each year for charitable purposes. These changes were intended to curb widespread abuses of the system, especially by large foundations. Too often foundations had been perverted by close association with the donor's business and were used as tools for the perpetuation of family control of a business or for the avoidance of inheritance taxes rather than as instruments of social utility.

One of the strengths of the book is its close analysis of the presidents of the large U.S. foundations. The tone and priorities of the large foundations are, to a large extent, set by their presidents. When a dynamic and forceful president of a foundation dies or leaves a foundation, there will be a transition period until the new president's philosophy is reflected in the grant-making policies and patterns of the foundation.

Each leader has his or her own style. One of the more idiosyncratic was John Coleman, who was president of the Edna McConnell Clark Foundation (based on the Avon Products fortune) from 1977 to 1986. He became a homeless "street person" for a brief period in order better to understand the needs of the destitute. (p. 156) Ironically, while this foundation helped deinstitutionalize many unfortunate people in major U.S. cities, it did little to address the serious problems which deinstitutionalization itself has created.

Foundations that are too closely connected to the donor's business and family often fail to fulfill their potential; however there are exceptions to the rule. One of the most notable is the Robert Wood Johnson Foundation (based on the Johnson & Johnson fortune). First, the original trustees of the foundation were

all executives of Johnson & Johnson. Second, the foundation's only asset was shares in Johnson & Johnson. Third, the foundation set out to fund projects in the health care field—the same field in which Johnson & Johnson was active. For many foundations, such a combination could have led to disaster; however, this foundation has been a notable success. The initial focus was on identifying groups and areas that did not have access to health care or that were underserved by the U.S. health care system. This evolved into a focus on medical care in rural areas, care for the elderly, and outpatient quality of care. More recently, the foundation has concentrated on helping those with chronic diseases function as normally as they possibly can. The foundation has certainly made an impact in its chosen field.

The author provides a brief history of each donor. More often than not, these individuals were idiosyncratic and eccentric. One of the more eccentric was Rod MacArthur. Although the author tends to be somewhat dismissive of his views, his philosophy of the proper role of a foundation is a provocative one which ought not to be discarded without consideration:

This is the only institution in our society that does not have constituencies that it has to keep looking to. All the others have to worry about pleasing a lot of people, so they're bound to tend toward conventional wisdom, respectability, and the lowest common denominator Foundations should be striving to do the things that government cannot do. I repeat, *cannot do*: things that are politically unpopular, things that are too risky, things that are just too far ahead of what the public will put up with A private foundation, where the board of directors is answerable only to itself, is in a completely different situation, and if it doesn't take advantage of that uniqueness, it's just blowing its opportunity, and perhaps even its moral obligation. (p. 110)

In his evaluation of the Hewlett Foundation (based on the Hewlett-Packard fortune), the author provides a description which may, quite unintentionally, accurately describe many large Canadian foundations as well:

The Hewlett Foundation is one of the group of foundations that might be called "the constructive conservatives," of which Andrew W. Mellon is the prototype and bellwether. They basically buttress and help sustain the leading nonprofit institutions of the country; they avoid involvement in projects of social reform, activism and public controversy. At the same time they have also avoided the worst sins of a good many of the most conservative foundations: questionable ties with the donor's company, ideological grants to low-grade institutions, conflicts of interest, and poor staffing. Their style is dignified and their standards ethical. Their boards are small, homogeneous, and effective. Their internal relationships are harmonious. Their donors are very influential in setting program priorities, but they are also staffed with strong professionals. Increasingly they are operating with the benefit of a well-reasoned concept of their purposes and role. Because of their low-key approach, they tend often to be underestimated. But they effectively occupy an important middle way in American philanthropy. (p. 214)

Although he never reduces it to a list, it is clear that the following is the author's idea of the ingredients for a successful large foundation (in no particular order):

1. an active and entrepreneurial spirit;
2. complete disengagement from the affairs of the donor's business;
3. competent and professional staff;
4. an identifiable sense of purpose and strategy;
5. independent trustees of stature (who do not collect unreasonable fees);
6. the determination to have an impact in a chosen field of activity; and
7. open disclosure of the grant-making philosophy and performance.

The author divides the large foundations into three different types. It is clear which category he favours:

<i>The Banker Teller</i>	<i>The Loan Officer</i>	<i>The Investment Banker</i>
<ul style="list-style-type: none"> • Totally reactive • Minimal analysis of projects • No follow-up on grants 	<ul style="list-style-type: none"> • Fairly reactive • Some analysis • Moderate follow-up and analysis 	<ul style="list-style-type: none"> • Initiates and reacts • Thorough analysis • Seeks philanthropic leverage <ul style="list-style-type: none"> - builds partnerships - syndicates grants - assumes moderate but prudent risks • Thorough grant accountability

One of the more interesting chapters is the one devoted to community foundations. This is an increasingly important method of giving and its origins are traced to the first such foundation in Cleveland, Ohio. The impetus for that foundations was concern for poorly drafted wills which contained provisions for gifts to obsolete charities. In other words, the donor had drafted a will which reflected a charitable need at the time but which was no longer relevant at the date of his or her death or in the future (e.g., funding a church that was eventually demolished). If there was no closely analogous charitable purpose to which the gift could be applied, then no charity could receive or keep the money. By making a donation to a community foundation, however, the harsh results of the obsolescence could be avoided because the trustees of the

community foundation would choose the recipients based on current community needs. It should be noted, by the way, that many Canadian cities, including Toronto, Winnipeg, and Vancouver, have community foundations. [See also Marjorie Sharpe, "The Community Foundation" (1991), 10 *Philanthrop.* No. 1, pp. 26-32.]

The author highlights areas of contemporary debate. For example, he discusses the pros and cons of "bricks-and-mortar" grants. (p.281-284) This discussion takes place in the context of a review of the performance of the Kresge Foundation—the largest U.S. foundation devoted exclusively to the making of capital grants. Although opinion is divided on the value and effectiveness of this type of giving, the author does not express his own opinion on the matter. This is unfortunate because the author's views on the point would have been a valuable contribution to the debate. At the conclusion of the book, the author does express his opinions on the future role of large U.S. foundations. The discussion of the appropriate role of the large foundation will no doubt continue for some time. This book is an important contribution to that debate. The author brings together a number of important thoughts on what foundations ought not to do:

As this process [of discussion] proceeds, ignorant, amateurish, and petty philanthropy, which still characterizes a good part of the activity of even the very large foundations, should become an early casualty. Random small institutional support grants, passivity in grant making, and confinement of the work of a large foundation to purely local matters will more and more clearly be seen as lost opportunities, as a failure of awareness and vision. The surest antidotes to inconsequential grant making are better information and open debate. The influence of such exposure may work somewhat slowly and unevenly, but it is already beginning to be felt. (p. 431)

The author is to be congratulated on a thoughtful and incisive analysis of the role of large foundations in the U.S. It is hoped that a similar study will soon be made of the large Canadian foundations.

Beyond Success: How Volunteer Service Can Help You Begin Making a Life Instead of Just a Living

By John F. Reynolds III and Eleanor Reynolds, C.B.E.

Published by MasterMedia Limited, New York, 1988 (\$9.95)

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The premise of this book is that life is incomplete without volunteering. The authors offer two main reasons to volunteer. First, volunteering provides the volunteer with a sense of fulfilment and purpose. It fills a void in our lives and helps to combat emotional emptiness. Second, it offers an opportunity to acquire valuable skills and expand one's network of friends.

This book is one of many generated by the much-heralded demise of the "me generation". According to the authors, the 1980s were a time of acquisitiveness. With the advent of the 1990s society has resolved to become more generous and caring. We are now more sensitive to our environment and to social needs. This, of course, includes greater participation in the community in general and volunteer service in particular.

A large part of the text is devoted to interviews with assorted people (most of whom seem to be friends of the authors) who have discovered the joys of volunteer service. Those interviewed are allowed to expound *ad nauseum* on how volunteer work has changed their lives and made them better people. These interviews could have been edited more carefully. There is an air of contrived informality about them which gives the book a more lightweight quality than it deserves.

Throughout the book one finds lengthy lists, along with brief descriptions, of U.S. organizations that use volunteers. These organizations cover almost every imaginable category of activity. Again, more serious editing could have made the lists easier to digest. It is unclear, for example, why an organization such as the Oregon Shakespearean Festival Association (p. 110) is given as much space as the Peace Corps. (p. 125)

These lists, however, do provide the reader with a wealth of ideas. The ideas that emerge from them would be useful for those who have never volunteered before and for those who have volunteered in the past but are seeking new challenges. Although the book's list of volunteer organizations is restricted to U.S. entities, many of those organizations have branches in Canada or the potential exists here for similar organizations.

The authors constantly remind us that volunteering is not only beneficial to society as a whole, but offers us direct benefits as well. For example, when discussing the Second Harvest program (food companies donating excess food to food banks), the authors note that by participating in this program we all benefit because there are fewer hungry people, society has lower economic and social costs for treating *malnutrition, chronic illness, unemployment, and low productivity*, and such benefits eventually lead to lower taxes. (p. 46)

The authors believe that the most immediate benefits of volunteering are career-related. They note that volunteering offers an opportunity to "network" and establish contacts with those who can assist one's career. The skills that

are acquired through volunteer service can be very useful on the job. Several of the interviewees note that their experience in volunteer work gave them leadership skills and a sense of confidence that proved invaluable in their chosen field of work.

The authors set out, in a systematic way, a method of finding the right organization. This involves taking an inventory of one's skills (a number of skills are listed) and interviewing prospective organizations to find the best "fit". The authors also deal quite capably with the awkward task of leaving an organization. Volunteers know when it is time to move on but often find it difficult to do so. The following advice is offered:

If you want to withdraw from an organization, don't just stop showing up. You should resign, showing as much consideration as possible. If it would be helpful, try to give a little advance notice, as you would in a paid job, or try to complete a project in process. One of the most considerate things you can do is to find someone to replace you within the organization. (p. 215)

This is typical of the commonsense approach which the authors take throughout the book. As noted above, the authors (a husband and wife team) could have edited quite a bit of material out of the book and still have produced a useful guide on how and why to get started in volunteering.