

Philanthropy in the 21st Century:

Lessons for the Modern Family Office

A Havencraft Partners White Paper

The titans of industry a century ago left legacies far beyond the businesses they created. Names like Rockefeller, Carnegie, Vanderbilt, Peabody, Phipps echo throughout institutions and professions today for both the industrial legacies they've left, but also for the social and communal legacies they offered freely to the public. While America would not be America without businesses like Standard Oil, US Steel, or Central Railroad; neither would the country be the same without worldclass research institutions like The University of Chicago, Carnegie Melon University, Vanderbilt University, the national parks and forests, and countless other hospitals, schools, and libraries. These were builders that created large public spaces, universities, and institutions which did not exist for profit, but rather existed to produce universal goods: Nature, education, housing, medicine, and the very basic needs for anyone to flourish in a society. Subsequent generations have carried aspects of these legacies forward, but as we move from the 19th century through the 20th and into the 21st century, there is a distinct transition in the nature of giving and philanthropy that increasingly moves from the durable and institutional to the virtual and ephemeral. While we can point to the institutions of previous ages and the legacies they left, it becomes increasingly difficult to see the works of newer foundations and major philanthropic endeavors. Part of this change can be accounted for along a historical axis. The state built institutions in the first half of the 20th century, first as a set of New Deal



reforms in the wake of the Great Depression, and second following the second world war and the expansion of state capacity and civil services. As the United States matured into a position of global leadership, new opportunities emerged for private citizens to do good. For family offices designing philanthropic strategies, certain questions remain as vexing as ever: How can one best measure impact? What are the right issues to focus on and how big a problem can we tackle? Perhaps most importantly, how can we nurture the basic impulses to do good and help people to build long-lasting and significant programs and institutions to carry out that mission? These questions imply a set of risks and challenges for modern day philanthropy. Some problems seem so big, that even major gifts are merely a drop in the bucket. On the other extreme, projects may be successful, but the impact is so small that it appears to the public little more than a personal vanity project. The reality is that all people are idiosyncratic. We have contradicting and complex thoughts and feelings, and our actions often reflect these complexities and contradictions. Our hope is to always learn from the choices made from the past and to guide future actions toward more informed decisions.

In 2010 Mark Zuckerberg and Pricilla Chan made a highly publicized commitment to reform Newark's public schools. On paper this initiative seemed to check every box. \$100 Million gift, which was matched through public and private monies to bring the total to \$200 Million. Public officials from both sides of the aisle were involved in the strategic effort, which was seen as a largely non-partisan effort to improve education outcomes in a city that desperately needed support. A multiyear investigation by journalist Dale Russakoff



and subsequent analyses by education researchers found that the initiative produced no significant improvement in student outcomes despite the scale of investment, with English test scores being the only metric of significant improvement, largely driven by charter school outcomes. And while that metric is encouraging, it largely affirms a lesson learned long ago, namely that schools with smaller class sizes often have better outcomes. In other words, its not specific to charter schools, but rather a function of improved classroom environments. Many of the insights that later emerged, particularly the need for deep community engagement, respect for local expertise, and incremental change, had been offered freely by Newark educators before the project began.¹ As these findings began to emerge, certain criticisms became more visible: the gift itself only amounted to 4% of school spending over a five year period. Much of the funds went to consultants and took a very “top down” approach to the reforms. Ken Berger, CEO of Charity Navigator, explained the situation to “Power Lunch” on CNBC: “We see this very often, that people start from the heart ... but then when it comes to the question of using the community, engaging the community, sometimes that gets lost and there’s a top-down approach that occurs where there’s a disconnect with the realities on the ground.”²

It would be nice if this were a simple case of philanthropic hubris. A desire to do good turns into an effort that’s overblown and disconnected from the community. Money changes hands between charities and consultants, many presentations are made, but the

¹ Russakoff, Dale. *The Prize: Who’s in Charge of America’s Schools* Houghton Mifflin Harcourt, 2015. Kamenetz, Anya. “Five Years Later, Newark’s One Hundred Million Dollar Education Gift From Zuckerberg Hasn’t Made Much Difference” *NPR*, 2015.

² Michelle Fox. “Where Zuckerberg’s \$100 million gift went wrong: Pros” <https://www.cnbc.com/2014/05/23/where-zuckerbergs-100-million-gift-went-wrong-pros.html>



results are middling at best. The truth is that these efforts did produce some improvements over time, and may have set this district on a path toward better outcomes in the future. The goal was never to merely set the district on a better path, nor to raise only English outcomes and no other subjects. Ken Berger's comments strike at the heart of the issue. Community engagement and ground up approaches almost always produce more lasting change than top down structural reforms. Furthermore, no philanthropic effort can undo generations of neglect.

The historical lesson we can draw from this concerns an endemic challenge to all philanthropy. All philanthropic efforts, no matter how big or small exists on a spectrum of impact vs triviality. On the one hand a philanthropist can take on a major social issue and experience the challenges when trying to "boil the ocean." Taking on global hunger, the crisis of the unhoused, or vicissitudes of addiction are all noble pursuits, but taking on such a large scope will inevitably lead to feelings of ineffectiveness and in the worst cases nihilism. On the other hand, efforts can be so micro-targeted that the results are real, but so limited in scope that the project feels more like a personal vanity project rather than an altruistic philanthropic effort. How does a modern family office provide world-class support in designing and implementing a philanthropic strategy that both provides meaning, connects to universal needs, provides tangible and durable gains, and creates a legacy worthy of the name?

Sometimes the answer is found through simplicity. Tom Golisano made a \$264 million dollar commitment to fund children's hospitals across the country. Six children's



hospitals were awarded grants between \$25 and \$50 million dollars under the simple guidance to drive world-class care. A network of 12 hospitals, associated through the Golisano Children's Alliance exists to enable cross institutional pollination of skills, research, and resources. While no effort is perfect and every strategy can be improved, the simplicity of this approach is worth noting as it harkens back to an earlier age of philanthropic design. Similarly, St. Jude's Children's Research Hospital stands as a world class research institution and a world class children's hospital where patients are able receive care free of charge. The hospital was founded in 1962 and has made a tremendous impact in health outcomes for children around the world. Donations keep the hospital free, and nearly \$.82 cents of every dollar goes to patient care and research. In both these examples, the way that gifts exist to enable the people on the ground that understand how to provide care and proven methods for developing medical research stand apart from efforts that try to over-engineer outcomes.

A Future-Oriented Philanthropic Practice

Solving for the challenges of 21st century philanthropy begins with a mindset that learns from the past, but is fundamentally oriented toward the future. A modern philanthropic strategy begins with clarity. Families need a mission that defines the purpose of their giving, a vision that describes the future they intend to influence, and values that guide decisions and partnerships. When these elements are aligned, philanthropy becomes coherent and resilient. It becomes a practice rather than a series of gestures.



The practice of modern philanthropy can take advantage of the resources and research and examples that have come before. There is no domain of possible philanthropic effort that doesn't have a tremendous base of knowledge and experts that are more than willing to offer perspective and insight to organizations looking to improve the world in their small way. Cultivating an attitude that is grounded in humility and an openness to learning is fundamental. Building systems of intelligence and process management that can capture those lessons is the key. The wisdom is best understood by those on the ground. Modern technological systems create opportunities to capture this wisdom through interviews, pilot projects, case studies, and other data sources that can be gathered and analyzed with a mix of emerging algorithmic technology and wise stewardship.

Clarity alone is therefore not enough. The next era of philanthropy will be defined by intelligence. Families need information systems that can track outcomes, measure progress, compare interventions, surface patterns, and inform future decisions. They need tools that preserve institutional memory, support rising generations, and make impact visible. Robust systems that streamline these processes maximize the outcomes. The fundamental dynamics will always remain, namely that family offices by their size and scope cannot take on major social cracks and fissures. Many of the biggest social challenges require the will of the people as expressed through the function of government. However, a small team equipped with powerful tools and a clear vision can make meaningful impact in their community and region. When information is organized and



accessible, philanthropy becomes a disciplined practice capable of producing measurable and auditable results. When information is fragmented, even the most generous intentions struggle to take root. This means conducting due diligence on potential partners, evaluating their operational capacity, assessing their data maturity, reviewing their historical outcomes, and setting clear expectations for reporting. It means releasing follow-on gifts only when results are demonstrated. This is not skepticism. It is stewardship. It ensures that families are not only generous but effective. It ensures that their giving contributes to a future that is coherent, measurable, and aligned with their deepest values.

A family's philanthropic efforts and legacy is likely the defining cornerstone of their legacy. Corporate legacies, by their nature, often change hands and change shape. The technologies of tomorrow may obliterate the foundations of our business today. The titans of industry mentioned above: Carnegie, Rockefeller, Vanderbilt are known to people in the 21st century because of the gifts and institutions they built for the benefit of the public and society. This is one of the chief ironies we've seen across the history of family office and philanthropy. In many cases the legacy that lives on is not the business created, but rather the gifts freely given to a society. It's for this reason that philanthropic efforts ought to be treated with the same level of rigor, care, and consideration as an investment strategy. The latter secures the material basis for the family and its future generations, the former creates a legacy that perpetuates value within a community and region for generations.

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