

**FIN 397**  
**INVESTING IN PHILANTHROPY**  
**SPRING 2019**  
**TUESDAYS 3:30-6:30 PM**  
**RRH 3.402**

<b>Professors</b>	Minnette E. Drumwright and Laura T. Starks	
<b>Offices</b>	Professor Drumwright (BMC 4.354) Professor Starks (GSB 5.167)	
<b>Office Hours at RRH</b>	Professor Drumwright: Wednesdays, 4:00-5:00 Professor Starks: Mondays 2:00-2:30; Wednesdays, 4:00-5:00 We can also meet at RRH by appointment	
<b>Other Office Hours</b>	You are welcome to come to Professor Drumwright's office hours in BMC 4.354 from 2 to 3:30 p.m. on Mondays and Wednesdays or Professor Starks' office hours in GSB 5.167 on Mondays from 3:30-6:00 p.m. or just drop by the offices in BMC and GSB	
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<b>Course Web Page</b>	via Canvas	
<b>Teaching Assistants:</b>	Alex Priest	Lee Seltzer
	CBA 1.312F	CBA 3.332C
	Wednesdays	Thursdays
	2:30-4:00 PM	3:00-4:30 PM

"To give away money is an easy matter in any man's power. But to decide to whom to give it, and how large and when, and for what purpose and how, is neither in every man's power nor an easy matter. Hence, it is that such excellence is rare, praiseworthy and noble." -- Aristotle, 384-322 BC

**Course Objectives**

The objective of this course is for you to learn about philanthropy from theoretical and empirical bases as well from a major experiential learning component. The course will enable you to learn about the powerful force of philanthropy through classroom lectures and discussions, guest speakers, and actually practicing philanthropy by giving up to \$85,000 in grant money to non-profit organizations. These funds have been generously donated by Jeff Swope, a McCombs MBA and BBA alumnus, as well as by the Philanthropy Lab. The course is based on interdisciplinary work, drawing from economics, finance, management, marketing, philosophy, policy, ethics, biology and neuroscience, among other areas. The goal is that you will learn how think about and apply the ethics, economics, strategy, and practice of philanthropic giving as well as how to evaluate the effectiveness of nonprofit organizations. The course is designed to prepare you to be effective and ethical stewards of your own resources, and to prepare you to be effective, responsible board members for non-profit organizations.

**Course overview**

You will be a member of a team that studies the social problems you most want to solve in areas such

as arts, education, environment, health, human services, and international services. Teams will study the programs of various non-profit organizations that are addressing their focal problems to identify the ones they think will be most effective at solving the problems. Each team member will study the possibility of grants to three non-profit organizations, resulting in an individual paper of around 6-8 pages (including graphs and tables). The team will then select at least three non-profits to study in depth including conducting site visits or Skype calls with nonprofit leaders. Each team will propose one nonprofit to the class for funding. This proposal will consist of a written paper of 8-15 pages (including graphs and tables) as well as a Powerpoint presentation. The paper and presentation will provide the team's evaluation of their final choice for funding including comparisons to the other potential non-profits the team considered.

The class as a whole will consider the proposed grants and discuss and debate the merits of the different grants. Ultimately, the class will vote on the allocation of the funds. The grant money will be given to at least two charities and will be given in differing amounts.

### **Materials**

**Book:** *The Essence of Strategic Giving: A Practical Guide for Donors and Fundraisers* by Peter Frumkin, University of Chicago Press, 2010. This book (\$15) can be ordered from the University Co-op and from online sources. Alternatively, it can be read online through the UT library.

**Readings:** There will be readings for each class session posted on Canvas. These readings are divided into required readings and additional optional readings. The additional readings are provided for those who want to go deeper into a topic. We also recommend that you try to stay current with philanthropic news reported in the media.

### **Format of Class**

Class sessions will usually consist of two or three parts: (1) Discussion facilitated by the professors with some lecture; (2) Guest speakers from different parts of the philanthropic spectrum who will provide their individual insights; (3) Team discussions of nonprofits. It is essential that you come to class *prepared to actively participate* in the discussions of the day's topic. In particular, the readings are critical for your preparation as you will be called upon to participate in the discussion.

Class participation is a significant part of the learning process. Thus, it is highly important that during class you are involved in the discussion by providing your own thoughts and by listening to and considering the thoughts of your colleagues. Everyone benefits from carefully listening to the diverse ideas and unique perspectives contributed to the discussion. Our further goal is to get you comfortable expressing your ideas and opinions in a group situation. It is something you will be doing throughout your life, both at work and in extracurricular activities such as volunteer work, and it is important for leadership. During the team presentation portion of the course and during the guest speaker visits, it is particularly important to have full class participation. Failure to participate in these parts of the course will result in a significant negative penalty on your class participation grade.

### **Course Requirements and Grading**

Your grade in the course will be determined by the following percentages:

	<u>Percent</u>	<u>Due Date</u>
Reading commentaries and reflections	15%	Most class sessions

Individual evaluation of several nonprofits	10%	March 5 <sup>th</sup>
Team grant proposal and presentation	35%	April 16 <sup>th</sup>
Class participation	25%	Every class session
Final (take home) exam	15%	9 a.m., May 20 <sup>th</sup>

### **Grading of Individual Evaluation of Nonprofits, Team Grant Proposal and Presentation**

The individual evaluations of nonprofits and the team grant proposal will be graded primarily on the basis of their contents; however, there will be points deducted if the papers do not exhibit professionalism in the exposition. The presentation of the proposal will consist of several parts. There will be periods during the class that students will be called upon to talk about their work in process. There will also be a more formal presentation of the proposal toward the end of the semester in which students will present to small sets of other students. (Each member of the team will present to a separate set of students.) The grading of the presentation of the research project will be based on the professionalism and content of the presentations.

### **Reading Commentary and Reflection Brief Write-ups**

There will also be brief write-ups in which students comment and reflect on the readings and course activities that are to be written individually. They should be no more than one page, and the grading will be perfunctory (check plus, check, check minus, zero). The purpose of these write-ups is for you to reflect upon some of the readings or general ideas before the class period in which they are to be discussed. These write-ups should be uploaded to Canvas *prior to the class* in which the topic is to be discussed. *No late write-ups will be accepted.*

### **Class Participation Grades**

Note that since class participation is an important component of the grade, attendance is an important part of the grade. The expectation is that each student will arrive on time, participate in every class discussion, and **not use electronic devices during class**. Class participation will be graded primarily on the quality of the comments.

### **Final Exam**

The final exam will be a take home exam due on the final exam date (although it can be completed much earlier). The purpose of the exam is for you to bring together concepts from the readings and class discussions.

### **Course Policies**

#### **McCombs Classroom Professionalism Policy**

The highest professional standards are expected of all members of the McCombs community. The collective class reputation and the value of the Texas MBA experience hinges on this.

**You should treat the Texas MBA classroom as you would a corporate boardroom.** Faculty are expected to be professional and prepared to deliver value for each and every class session. Students are expected to be professional in all respects.

The Texas MBA classroom experience is enhanced when:

- **Students arrive on time.** On time arrival ensures that classes are able to start and finish at the scheduled time. On time arrival shows respect for both fellow students and faculty and it enhances learning by reducing avoidable distractions.

- **Students are fully prepared for each class.** Much of the learning in the Texas MBA program takes place during classroom discussions. When students are not prepared, they cannot contribute to the overall learning process. This affects not only the individual, but their peers who count on them, as well.
- **Students respect the views and opinions of their colleagues.** Disagreement and debate are encouraged. Intolerance for the views of others is unacceptable.
- **Students minimize unscheduled personal breaks.** The learning environment improves when disruptions are limited. There will be a break in the class. *Please be particularly respectful and do not plan to leave class during the guest speaker sections of the course.*

### **Academic Integrity**

We believe that we should all abide by the University of Texas at Austin McCombs School of Business Honor Pledge: The University of Texas at Austin McCombs School of Business requires each enrolled student to adopt the Honor System. The Honor Pledge best describes the conduct promoted by the Honor System. It is as follows:

"I affirm that I belong to the honorable community of The University of Texas at Austin Graduate School of Business. I will not lie, cheat or steal, nor will I tolerate those who do."

"I pledge my full support to the Honor System. I agree to be bound at all times by the Honor System and understand that any violation may result in my dismissal from the McCombs School of Business."

### **Other Policies and Information**

Course communications: The primary means of communication for the course will be through Canvas. New readings or additional information about the class may be added, so please check Canvas often. In addition, please ensure that your email address on Canvas is correct so that you will receive class communications in a timely manner.

### **Students with Disabilities**

Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 512-471-6259, <http://diversity.utexas.edu/disability/>.

### **Religious Holy Days**

By UT Austin policy, you must notify us of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

The class lecture slides are copyrighted and intended only for your personal use. They should not be distributed or posted without one of our specific permission.

### **Course Outline**

On Fridays, February 8 and March 1, we will have site visits to local Austin nonprofits. Please note that due to the MBA Global Trips, there will be no formal class on March 12. There will be additional Impact Chats on other evenings that will contribute to the course content. (Some dates may change through the evolution of the course.) The Final Take Home Exam due May 20 can be turned in much earlier.

Jan 22 Overview of course

Jan 29 Why do individuals give?

**Guest speaker panel**

Carmine Salvucci, Chief Development Officer, Communities in Schools of Central Texas

Emily Doran, Director of Principal Gifts, Moody College of Communication, UT Austin

Meeta Kothare, Managing Director, Social Innovation Initiative, Impact Austin participant

- Feb 5 Overview of nonprofit management and evaluation of nonprofits  
Guest speaker: Aimee Woodall, Founder & President of the Black Sheep Agency in Houston
- Feb 8 10 a.m.- 1 p.m., Site visit to Community First Village and Mobile Loaves and Fishes
- Feb 12 The ethics of giving and team formation  
Guest speaker: Paul Woodruff, Darrell K Royal Regents Professor, Department of Philosophy
- Feb 19 Strategic giving
- Feb 26 Philanthropic leadership and delegated philanthropy  
Guest speaker: Jeff Swope, Founder, CEO and Managing Partner, Champion Partners
- Mar 1 Friday site visit
- Mar 5 The role and operations of foundations  
Guest speaker panel  
Wynn Rosser, President & CEO, Temple Foundation  
Ellen Temple, Board member, Temple Foundation  
Hannah Temple, Board member, Temple Foundation
- Mar 12-Mar19 MBA Global Trips and Spring Break (no class)
- Mar 26 Measurement and evaluation of nonprofit leadership, strategies and expected outcomes
- Apr 2 The role of nonprofit boards in fundraising and governance; Conflicts in giving  
Guest speaker: Ruth Suzman, Board Chair, BBYO
- Apr 9 New approaches to solving societal problems  
Panel of guest speakers
- Apr 16 Class presentations on grant proposals
- Apr 23 Discussions, debate and decisions
- Apr 30 Debrief and Giving Ceremony

**Guest Speakers and Reading Assignments**

All readings except for those in the required book, *The Essence of Strategic Giving* by Peter Frumkin, will be posted on Canvas. We will be adding readings (particularly optional readings) as the course progresses.

**Jan. 29<sup>th</sup>**

**Why Do Individuals Give?**

## Guest Speaker Panel

- Carmine Salvucci, Chief Development Officer, Communities in Schools of Central Texas
- Emily Doran, Director of Principal Gifts, Moody College of Communication, UT Austin
- Meeta Kothare, Managing Director, Social Innovation Initiative, Impact Austin participant

## Required Readings

- Chapter 2, “Dimensions of Philanthropic Values,” *The Essence of Strategic Giving* by Peter Frumkin, 2010
- “Why Give? Religious Roots of Charity,” Harvard Divinity School blog, 2018
- “The Economics of Charitable Giving,” by Rubén Hernández-Murillo and Deborah Roisman, St. Louis Federal Reserve Bank Regional Economist, 2005
- “Why Give Away Your Wealth? An Analysis of the Billionaires’ View” by Sadeh, Tonin, and Blassopoulos, *Social Economics*, 2017
- “The Trader Who Donates Half His Pay.” by Nicholas Kristof, *The New York Times*, April 5, 2015.
- “Neural Responses to Taxation and Voluntary Giving Reveal Motives for Charitable Donations,” by William T. Harbaugh, Ulrich Mayr, and Daniel R. Burghart, *Science*, 2015

## Optional Readings

- Excerpts on Giving from Religious Texts (Christianity, Judaism, Islam, Buddhism, Hinduism, Confucianism)
- “The Market for Charitable Giving,” by John A. List, *Journal of Economic Perspectives*, Spring 2011
- Chapter 7, Human Sociality, *Neurobiology of Social Behavior*, by Michael Numan, Elsevier, 2015
- “Public Recognition and Fundraising in the United States” Summary of “Hey Look at Me: The Effect of Giving Circles on Giving.” by Dean Karlan and Margaret A. McConnell, *Journal of Economic Behavior & Organization*, 2014
- “The Economics of Donations and Enlightened Self-Interest,” by Andrea Buraschi and Francesca Cornelli, *European Financial Management*, 2014

**February 5<sup>th</sup>**

## Overview of Nonprofit Management and Evaluation of Nonprofits

### Guest Speaker

“Nonprofit Storytelling and Fundraising in a Digital World”

Aimee Woodall, Founder and President of the Black Sheep Agency in Houston

### Required Readings

- Chapter 1, “Forces for Good,” in *Forces for Good: The Six Practices of High-Impact Nonprofits*

by Leslie R. Crutchfield and Heather McLeod Grant, Jossey-Bass, 2<sup>nd</sup> edition, 2012

- “Good to Great and the Social Sector: Why Business Thinking Is Not the Answer,” by Jim Collins, Harper Collins, 2005
- “Scaling Social Impact Through Branding Causes,” by Minette E. Drumwright and Mercedes Duchicela in *Scaling Social Impact: New Thinking*, eds. Paul Bloom and Edward Skloot, New York: Palgrave MacMillian, 2010.
- “How to Research a Nonprofit Light-Touch Approach” by The Bridgespan Group
- “Highlights of IRS Form 990” by Guidestar 2016
- Posted example Form 990s for selected charities

### Required Video

- “The Way We Think About Charity is Dead Wrong” by Dan Pallotta  
<https://www.youtube.com/watch?v=bfAzi6D5FpM&t=60s>

### Optional Readings and Video

- Chapter 12, “Forces for Local Good,” in *Forces for Good: The Six Practices of High-Impact Nonprofits* by Leslie R. Crutchfield and Heather McLeod Grant, Jossey-Bass, 2<sup>nd</sup> edition, 2012
- “Charities and Governance: A Case for a Common Measure for Public Accountability,” by Chester A. Robinson and Gloria Billingsley, *Public Administration Quarterly*, 2016
- “The Science of What Makes People Care” by Ann Christiano and Annie Neimand, *Stanford Social Innovation Review*, 2018
- “Tell Your Story” by Andy Goodman (video is available on Canvas)

**Feb. 8<sup>th</sup>**

#### Site Visit

10 a.m. to 1 p.m., Site visit to Community First Village (<https://mlf.org/community-first/>) and Mobile Loaves and Fishes (<https://mlf.org/>), 9301 Hog Eye Road, Austin, TX 78724. We will tour the village with Donna Emery, Development Director for both Community First Village and Mobile Loaves and Fishes, and we will meet various members of the community. There will be some readings to prepare for the site visit.

**Feb. 12<sup>th</sup>**

#### The Ethics of Giving and Team Formation

### Guest Speaker

Paul Woodruff, Darrell K Royal Regents Professorship in Ethics and American Society, Department of Philosophy, UT Austin

### Required Readings

- “Ethical Issues of Social Marketing and Persuasion” by Minette E. Drumwright & Patrick E. Murphy in *Handbook of Persuasion and Social Marketing* 2015 (Read pp. 191-195 for an

overview of different normative approaches to ethics)

- Introduction and Chapter 7, “Afterward: Justice and Charitable Giving” by Paul Woodruff in *The Ethics of Giving: Philosophers’ Perspectives*, Paul Woodruff, ed., 2018

### Required Video

Peter Singer’s Ted Talk on “The Why and How of Effective Altruism”

[https://www.ted.com/talks/peter\\_singer\\_the\\_why\\_and\\_how\\_of\\_effective\\_altruism?language=en](https://www.ted.com/talks/peter_singer_the_why_and_how_of_effective_altruism?language=en)

### Optional Readings

- “The Moral Virtues: Aristotle,” “Good Will, Duty, and the Categorical Imperative: Immanuel Kant” and “Utilitarianism: John Stuart Mill” *Vice and Virtue in Everyday Life: Introductory Readings in Ethics*, by Christina Hoff Sommers, Harcourt Brace Jovanovich, 1985, pp. 148-158.
- “Book II: Moral virtue as the result of habits,” *Nicomachean Ethics*, by Aristotle, 350 B.C.E., pp. 33-35.
- “Chapter Fifteen: About those factors that cause men, and especially rulers, to be praised or censured,” and “Chapter Eighteen: How far are rulers to keep their word,” from *The Prince* by Niccolo Machiavelli, ~ 1513
- “The Veil of Ignorance,” *A Theory of Justice* by John Rawls, Harvard University Press, 1971, pp. 118-123.

## Feb. 19<sup>th</sup> Strategic Giving

### Required Readings

- Chapter 1, “The Idea of Strategic Giving,” and Chapter 3, “Logic Models: Theories of Change, Leverage, and Scale,” *The Essence of Strategic Giving* by Peter Frumkin.
- “The Power of Theories of Change,” by Paul Brest, *Stanford Social Innovation Review*, 2010
- “Investing for Impact with Program-Related Investments,” by Paul Brest, *Stanford Social Innovation Review*, 2016
- “The Best Investment I Ever Made,” by Bill Gates, *Wall Street Journal* January 19, 2019

### Optional Readings

- “A Decade of Outcome-Oriented Philanthropy,” by Paul Brest, *Stanford Social Innovation Review*, 2012
- “Ever Sent Clothing or Toys in Response to a Disaster? Here’s What Probably Happened to it” by Dale Herzog, Ideas.Ted.com, 2018
- “Philanthrocapitalism Rising” by Matthew Bishop and Michael Green, *Society*, 2015
- “Mapping Change: Using a Theory of Change to Guide Planning and Evaluation,” by Anne McKinnon and Natasha Arnott, Grantcraft Series

**Feb. 26<sup>th</sup>****Philanthropic Leadership and Delegated Philanthropy****Guest Speaker**

Jeff Swope

Founder, CEO, and Managing Partner

Champion Partners

**Required Readings**

- Chapter 4, “Giving Styles,” and Chapter 5, “Time Frames,” *The Essence of Strategic Giving* by Peter Frumkin, 2010
- *Gospel of Wealth* by Andrew Carnegie, 1889
- “The Rise of Social Capital Market Intermediaries” by Bill Meehan and Kim Jonker, *Stanford Social Innovation Review*, 2012

**Required Video (or text of speech)**

- Bill Gates’ 2007 Graduation Speech at Harvard  
<https://www.youtube.com/watch?v=zPx5N6Lh3sw>  
or you may read the speech at <https://news.harvard.edu/gazette/story/2007/06/remarks-of-bill-gates-harvard-commencement-2007/>

**Optional readings**

- “Measuring the Value of Corporate Philanthropy” by Terence Lim, Committee Encouraging Corporate Philanthropy, 2010
- “Corporate Philanthropic Practices” by William O. Brown, Eric Helland and Janet Smith, *Journal of Corporate Finance*, 2006
- “The Benefits and Costs of Donor-Advised Funds,” by James Andreoni, *Tax Policy and the Economy*, NBER & University of Chicago Press, 2018

**March 5<sup>th</sup>****The Role and Operations of Foundations****Guest Speaker Panel**

Wynn Rosser, Ph.D.

President &amp; CEO

T.L.L. Temple Foundation

<http://tlltemple.foundation/about/>

Ellen Temple

Board member, T.L.L. Temple Foundation

UT Austin Tower Fellow

Hannah Temple

Board member, T.L.L. Temple Foundation

Board chair, Breakthrough

### Required Reading:

Chapter 6, "Institution and Vehicles," *The Essence of Strategic Giving* by Peter Frumkin, 2010

**March 12<sup>th</sup> - March 19<sup>th</sup>**

**MBA Global Trips**

**Spring Break**

**March 26<sup>th</sup>**

**Measurement and Evaluation of Nonprofit Leadership, Strategies and Expected Outcomes**

### Required Readings

- Chapter 2, "Introduction to the CART Principles," Chapter 15, "The Retail Donor Perspective" and Chapter 16, "Concluding Thoughts and Hopefully (Helpful) Resources" *The Goldilocks Challenge: Right-Fit Evidence for the Social Sector* by Mary Kay Gugerty and Dean Karlan, 2018
- "Cooking Stoves, Indoor Air Pollution, and Respiratory Health in India," by Esther Duflo, Michael Greenstone, Rema Hanna, Summary of several evaluation studies. Abdul Latif Jameel Poverty Action Lab

### Optional Readings:

- "Give Directly? Not So Fast," by Kevin Starr and Laura Hattendorf, *Stanford Social Innovation Review*, 2014
- "Six Rules of Thumb for Determining Sample Size and Statistical Power" Abdul Latif Jameel Poverty Action Lab
- "Real-World Challenges to Randomization and Their Solutions," by Kenya Heard, Elisabeth O'Toole, Rohit Nainpally, and Lindsey Bressler, Abdul Latif Jameel Poverty Action Lab

**April 2<sup>nd</sup>**

**The Role of Nonprofit Boards in Fundraising and Governance**

**Conflicts in Giving**

### Guest Speaker

Ruth Suzman

Board Chair, BBYO

<https://bbyo.org/>

### Required Readings

- “The Robertson v. Princeton Case: Too Important to be Left to the Lawyers,” by Neal B. Freeman with Comments and Freeman’s Responses, The Bradley Center for Philanthropy and Civic Renewal at Hudson Institute, 2009.
- “The Cent of Tobacco” by Bill Brubaker, *Youth Today*, 2009  
<https://youthtoday.org/2009/08/the-cent-of-tobacco/>
- “Sandy and Joan Weill and the \$20 Million Gift That Went Awry” by Jacob Bernstein *New York Times* Dec. 19, 2015
- “Gifts Tied to Opioid Sales Invite a Question: Should Museums Vet Donors?” by Colin Moynihan, *The New York Times*, December 1, 2017

### Optional Readings

- “Executive Compensation, Organizational Performance and Governance Quality in the Absence of Owners,” by Ashley Newton, *Journal of Corporate Finance*, 2015
- “The Effect of Nonprofit Governance on Donations: Evidence from the Revised Form 990” by Erica Harris, Christine M. Petrovits, and Michelle H. Yetman, *Accounting Review*, 2015
- “Nonprofit boards: Size, performance and managerial incentives,” by Rajesh K. Aggarwal, Mark E. Evans and Dhananjay Nanda, *Journal of Accounting and Economics*, 2012

April 9<sup>th</sup>

### New Approaches to Solving Societal Problems

#### Guest Panel

### Required Readings

- “Nonprofit Fundraising with Virtual Reality,” by Seung-Chul Yoo and Minette E. Drumwright *Nonprofit Management and Leadership*, 2018
- Primer on Social Impact Bonds
- “Why You Should Be Careful About Donating Through Crowdfunding” *Consumer Reports*, 2018
- “Bill Gates and others launch \$30M ‘venture philanthropy’ accelerator for Alzheimer’s diagnostics” *Fierce Biotech*, 2018

### Optional Readings

- “Effects of the price of charitable giving: Evidence from an online crowdfunding platform,” by Jonathan Meer, *Journal of Economic Behavior and Organization*, 2014

**April 16<sup>th</sup>**

**Class Presentations on Team Grant Proposals**

**April 23<sup>rd</sup>**

**Discussions, Debate and Decisions**

**April 30<sup>th</sup>**

**Debrief and Giving Celebration**

**May 20<sup>th</sup>**

**Final Date to Submit Take Home Final Exam**