THE J.W. MCCONNELL FAMILY FOUNDATION

Grantmaking Leadership

Keynote Address by
Tim Brodhead
President and CEO of The J.W. McConnell Family Foundation
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Workshop for Grantmakers and Funding Organizations
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I am particularly pleased and honoured to be invited to speak to this group in Calgary – a city which is recognized as a "centre of innovation" for the voluntary sector in Canada, where a lot of new ideas have been tried which are later picked up in other cities across Canada. Among the examples with which the McConnell Foundation is associated are Leadership Calgary, CAPES (which is part of our ArtsSmarts program) and Vibrant Communities. The United Way here is also out in front with new approaches, and, not least, you have this remarkable facility where we are meeting today, the Kahanoff Centre for Non-Profit Management, something no other city in Canada can boast. In addition, Calgary is fortunate to have people who provide leadership to the not-for-profit community here, but who are also recognized across the country: Jim Dinning, Ted and Margaret Newall, Martha Parker, Jim Gray, Dan O'Grady, Ruth Ramsden-Wood and Heather MacDonald, Rick George, and others.

When I was pondering what might be useful to discuss in the context of today's topic "Excellence in Grantmaking", I thought of a practical exercise which could help focus our thoughts. So I am happy to inform you that upon leaving this room you will each receive an envelope containing a pledge for $2 million from the McConnell Foundation, along with a form to fill out giving your choice of recipient for the funds, your rationale for that choice, and the terms and conditions to be attached to the grant.

It will be interesting to find out how you allocate your grants; no doubt the major institutions like the Foothills Hospital and the University of Calgary will benefit, but so too more personal interests and causes – mental illness, health research, and I expect, social problems like homelessness and spousal abuse.

I am sorry…my Trustees didn't actually agree with this idea so I have had to forego the envelopes and the cheques; besides, it seemed a bit gimmicky. But that exercise is what this day is all about: making decisions about the best and most effective way to use our resources.

No doubt the distribution of those $2 million cheques would have reflected a mix of individual and personal preferences, along with your assessment of the urgent needs facing the community, and it is in fact that mix that constitutes the core of what philanthropy is about.

The "value proposition" philanthropy offers is about the private satisfaction of the donor and meeting important social needs. In a world of polarities – good/bad, right/wrong, rich/poor, mine/yours – philanthropy *creates* a bridge. It links private and public – *personal* commitment, *individual* initiative, *private* wealth and the *public* good, *collective* responsibility, *community* well-being. It says, "We are not islands; we can choose, freely, to act for the common good".

One of those polarities is our tendency to frame many public issues in terms of whether they lie in the realm of government *or* the private sector. But we know that many of our most intractable problems cannot be confined to one or the other – improving Canada's quality of life is a long-term effort which requires the active engagement of all sectors – government, business – as well as the philanthropic and not-for-profit. (Calgary has always exemplified this, hence its reputation as a "can do" community).

I want to talk this morning about three issues facing philanthropy, and more particularly grant-makers: first, the need to identify and support successful organizations; second, how to provide that support in ways which help, not undermine, the recipient organizations; and third, the need for more sophisticated ways of measuring results so that we can demonstrate the social value that is being created – and then we need to tell this story to Canadians!

1. Let's go back to the value proposition – specifically, the balance between donor satisfaction and the public good. These two are not necessarily in conflict, but if they are, which one takes precedence? We live in a culture in which individual gratification is paramount, in which "the customer is always right". But society supports philanthropy through tax measures because it meets social needs, not just individual wants. And what does the donor want in return for his gift? It depends: perhaps to see concrete results, proof his or her gift is being put to good use; certainly efficiency, evidence that money isn't being siphoned off into administrative overheads or wasteful expenditure; or maybe just the name on the building and the status that comes with being recognized as a generous benefactor.

2. In a competitive fund-raising environment, organizations and institutions must out-do one another to attract donor support – and often it is done in ways which we know, in the long run, to be detrimental to their causes. Unrealistically low administrative percentages are advertised, or unsustainable strategies adopted (child sponsorship is a favourite one for international organizations); or donor choice is promoted even when it may conflict with, or undermine, community efforts to set priorities based on real needs rather than fund-raising potential.

   This is not an easy issue. People value the personal identification and reassurance that seem to come with targeting their gifts. But perhaps it is time to reassert that there is a role for <u>knowledge</u> in determining where money should be allocated – that donors' interest in a particular cause or organization should on occasion be balanced by the <u>urgency of need</u> of a women's shelter or a drug rehab program. Some bodies, like the United Ways, were created to move us away from a multiplicity of uncoordinated and highly competitive fund-raising drives toward a more deliberate and broad-based approach to analyzing community needs and fashioning a collective response. Other bodies, like community foundations, were set up precisely to marry individual generosity with informed knowledge and experience, so as to ensure that the interests of donors and communities can both be served.

   Without the mix of commitment <u>and</u> knowledge there is no way to be sure that effective organizations grow and prosper and make a real contribution to society, and that lacklustre ones wither and are replaced. In business this happens all the time. Competition ensures that organizations stay on their toes, keep good staff, improve their products or services – or their revenues dry up. In the not-for-profit world money does not necessarily follow quality and consequently there is no incentive for improvement. Instead, revenues are boosted by successful PR, elite connections, an attractive "cause" (early childhood, not street children; breast rather than colon cancer), sudden media attention, even fashions or fads. Most of us don't have the time or ability to measure whether real social value is being created, that is why we need the skilled people in United Ways and community foundations to tell us which organizations <u>deserve</u> more support, which causes are coming up but are not yet on our radar screens, which groups in society risk falling through the cracks of media attention or public consciousness.

3. A second issue which must concern us all as funders is the rapidly deteriorating financial situation of voluntary organizations. We all know the basic stats: that Canada has almost 80,000 registered charities and many thousands more not-for-profits, employing almost 900,000 paid staff and engaging millions of

volunteers. What we may not all be aware of is how perilous the state of many of these organizations is – with aging employees, low salaries and few benefits, struggling to meet growing needs while their own resources stagnate or shrink.

The issue here is not that the absolute amount of money has diminished in every case, but that the terms under which it is provided have fundamentally changed. Until the mid-1990s the government – which furnishes some 60 percent of the revenues of charities in Canada – provided grants to organizations delivering government-mandated services. Then, under pressure to reduce public expenditure, coupled with a heightened concern about accountability, there was a wholesale shift to "contract funding" which allowed governments to specify outputs and tightly control spending. At the same time corporate donors and foundations were moving in a similar direction, replacing general operating support by tightly specified project grants. The parallel trend toward "leveraging" grants by requiring matching funds has only exacerbated the problems agencies face.

The result has been chronicled in a study by the Canadian Council for Social Development (CCSD) called *Funding Matters*: typically, it found that contract funding does not cover the actual cost of program delivery; it offers no capacity to invest in staff training or necessary infrastructure for efficient program delivery; the funding volatility of going from contract to contract creates insecurity for staff, and not infrequently the loss of key employees; there is "mission drift" as organizations' original purpose or experience has to be compromised to meet narrowly defined new funding criteria; and inflexible contract terms stifle creativity and innovation.

Some of you may be thinking, this isn't so bad if it results in less dependence on government and a more entrepreneurial spirit! But that view rests on some illusions – let me illustrate:

- **Illusion 1** – the private sector is a major source of support for charities; **Fact** – to offset a 1 percent cut in government funding, corporate donations would have to increase by 50 percent (all private giving represents only 14 percent of charities' revenues compared to 60 percent from government);
- **Illusion 2** – voluntary organizations are run by volunteers; **Fact** – only half of voluntary organizations do not have paid staff, and often a fulltime paid coordinator is the only way to get value from even willing volunteers (yet volunteer coordinators are frequently the first to go when savings must be found);

- **Illusion 3** – for-profits and not-for-profits can compete on a level playing field for service delivery contracts from government; **Fact** – voluntary organizations, operating on razor-thin margins, have no room for error, no ability to write off losses as 'business expenses', to apply for bridge-funding or operating capital, and insofar as they sacrifice quality of care to paring expenses to the bone, they betray the very principles and motivations which make them successful and different from ordinary business.

It is hardly surprising that charities are finding it increasingly difficult to attract young people as staff; liability chill is making many people reluctant to serve on boards; inability to invest in infrastructure and human resources is crippling the ability to develop staff or explore innovative ways of working. We as grant-makers have a responsibility here too, for we are part of the problem, and not yet part of the solution. We have to <u>invest</u> in our grant recipients – though capacity-building grants where appropriate, multi-year funding, a willingness to share risk rather than put it on grantees' shoulders alone, at the very least by tailoring untied operating support to the needs of grant recipients – which means free money for staff training, adequate technological support, etc. Good grant-making practice would include not forcing organizations into unproductive collaborations which entail more fundraising and discussion (if we are covering only part of the costs, we should offer advice and help in finding the balance), but where partnerships <u>are</u> formed donors should harmonize their reporting and accountability requirements.

Funders have the power to improve significantly the conditions on which our money is provided. Surveys have shown that there are three characteristics which determine the relationship between donor and recipient, the stability of charitable organizations and the effectiveness of accountability. These are the duration of funding, which determines the stability and effectiveness of the non-profit; the likelihood of renewal of funding, which determines whether organizations can plan; and restrictions on use of grants, which influence the flexibility non-profit organizations, have to fulfill their mandates. If these three determinants are not matched to the type of problem being addressed, the effectiveness of the grant will be compromised and the relationship between donor and recipient will be unsatisfactory.

4. The last issue I want to raise here has to do with our insistence on demonstrable *results*. I can almost hear the protest, *Who can object to our wanting <u>results</u>*?
   I am not talking here about having a clearly defined goal, a strategy for realizing it, and some way of monitoring progress to ensure we are moving in the right direction. I am talking about the danger of so-called "misplaced concreteness" –

assuming that everything can be defined in terms of results, especially quantifiable ones (even that every problem can be solved – some situations, like poverty, homelessness or addiction, may not be "solved" but the misery they cause can be alleviated and that in itself is not such a bad thing to do).

It is very hard when talking about results not to rely excessively, even exclusively, on numbers. We envy the private sector with its unambiguous "bottom line" which tells a story of success or failure – but let us not forget that even business is learning that social, environmental and ethical results also form part of a comprehensive "bottom line". Numbers are not the only kind of knowing, even if they seem more "truthful". It has often been said "Not everything that can be measured counts and not everything that counts can be measured".

Many of our most pressing needs require a sustained long-term commitment – programs like the Vibrant Communities which aim at poverty reduction and which have been launched in several cities across Canada, are by their nature complex, emergent and have inter-related components. The ultimate objective – community well-being – is a long way off and difficult to map in advance. What we need are a series of rolling targets, indicators, not a map but a series of signposts which suggest that progress is being made: has the rate of teenage pregnancy dropped, is the birth-weight of newborns rising, are fewer teens dropping out of school, are there fewer homeless and unemployed. Indicators such as these can be tracked more readily than "less poverty" or "more social inclusion". Then we must refer to existing bodies of knowledge and our own analysis to identify the factors that have caused or allowed these changes to happen and focus our efforts on those factors. The tracking of Toronto's Vital Signs, launched last year by the Toronto Community Foundation, is a model to be closely watched.

This approach to measuring results assumes they are important for the learning they generate rather than as a justification to satisfy donors, they are meant to *improve* performance, not *prove* a case. I would argue that too often our emphasis on results really just masks our desire to *avoid risk*. We don't want to be associated with failure; we don't want to be accused of "wasting" our carefully stewarded resources. But businesses don't succeed by avoiding risk; they succeed by managing it. We should emulate them by encouraging risk-taking in the activities we fund while realistically determining the level of risk we are comfortable with – should 5 percent or 25 percent of our project portfolio be "high risk" grants, for example? This would be more productive than trying to avoid risk altogether by hedging our grants with conditions and cautions that stymie innovation and undermine effectiveness. And in any case, if we are doing our job we cannot avoid risk – even endowing a professorship or underwriting a building only **appears** less risky; in fact, there is no guarantee that such activities will end up fulfilling any purpose at all!

The common thread that unites these three important issues is the need to make a new case for the importance of philanthropy, based on evidence – qualitative as well as quantitative - of the social value it creates, a story which informs the heart as well as the head. That story is a story of *innovation*: new structures, like the proposed **Charity bank** which is being explored as a way to provide a wider range of financial tools for the not-for-profit sector; new ways of creating value, like the **Meal Exchange** program which launched the idea of engaging university students in the fight against hunger. It is a story of *unexpected* results too, like the accounts by teachers in the **ArtsSmarts** program of how involvement in music or drama has changed classroom behaviour and brought withdrawn children into the fun of learning new skills and discovering unsuspected talents. And, especially, it is a story about people and their ideas – like the young initiators of the **Framework Foundation** in Toronto, who have devised a way to engage young people in volunteering while at the same time benefiting emerging artists and voluntary agencies seeking needed skills.

These stories need to be told. An example is the recently released **Great Grants** booklet, by Philanthropic Foundations Canada (PFC), but this should be emulated by all of us from our own store of wonderful – and even less than wonderful – experiences.

Finally, my message today is that we need to re-orient our thinking from a reductionist focus on our distinct roles as “grant-makers” and “grant-seekers”, which emphasizes how we differ, to our <u>common objective</u> of improving the well-being of our communities, which underlines our complementarity. In this, we need each other, and we as grant-makers in particular have a stake in identifying effective organizations and institutions, and then providing them with consistent, stable support so as to ensure their sustainability.

I want to close with a quote from Reinhold Niebuhr, which I have paraphrased from memory, which I believe nicely captures the philanthropic credo as we engage in the important task of improving our communities and Canadian society in our many and diverse ways:

> *Nothing that is worth doing could ever be done without a vision, and that is why we must work with faith. Nothing that is worth doing could ever be completed in our lifetimes, and that is why it must be done with hope. And nothing that is worth doing could be done alone, and therefore it must be done with love.*

And perhaps at the risk of stretching it out a little, I would add the following specifically addressed to those of us who have the responsibility of making grants:

> *Nothing worth doing can be accomplished by money alone, therefore we must have humility. New solutions will not be found using old approaches, and therefore we must have courage. Finally, anything worth building must have a solid foundation; therefore we must always work with integrity.*