

THE J.W. MCCONNELL FAMILY FOUNDATION

Social Venture Philanthropy

Remarks by

Tim Brodhead

**President and CEO of The J.W. McConnell Family Foundation
to Social Venture Partners Calgary**

Calgary, Alberta

May 26, 2005

It is a particular honour to be invited to join you in Calgary tonight for Social Venture Partners' Million Dollar Celebration. This city has consistently pioneered innovation in philanthropic practice in Canada. You have been blessed with leadership which has influence country-wide – people like Martha Parker and Jim Grey, the Newalls and Jim Dinning and others too numerous to mention, and to this list I would now add the Zumwalts, who introduced SVP here. The Kahanoff Centre is a unique model that other communities would like to be able to emulate. And of course you have blazed a trail in starting Social Venture Partners Calgary, which we are celebrating here.

I would like to recognize two achievements tonight: the first is Social Venture Partners' work in pioneering new thinking about philanthropy in Canada; and the second is its success in engaging a new cohort of philanthropists – people who have decided to contribute their money, their time and their personal commitment to finding solutions to some enduring social problems in their community.

Let me talk about the concept of social venture philanthropy first – or what some people prefer to call "engaged philanthropy" to escape the business connotations of venture capital. What is it, how new is it, why is it important, what is its potential to change the way philanthropy is understood and practiced?

I don't need to belabour a definition of social venture philanthropy for this group. You know better than I how it takes philanthropy beyond "business-as-usual" funding for worthwhile organizations. But let's be clear – it is not totally new: many of the giants of North American philanthropy, men like Andrew Carnegie and John D. Rockefeller, were highly engaged in their philanthropic pursuits. Closer to home, John Wilson McConnell, who in 1937 created the foundation that bears his name, was a very hands-on donor.

Much of his generosity was devoted to founding or building lasting institutions like the Montreal Neurological Institute (which he co-founded with the Rockefeller Foundation) and McGill University. Most beneficiaries of his largesse were organizations with which he maintained very direct contacts, like the YMCA and the Boys' and Girls' Clubs.

Engaged philanthropy adds value not because it is new, but because it responds to a new set of needs in the community. Philanthropy is constantly evolving, as it moves from its initial expression as charity – giving alms, helping others as enjoined by every major religious faith – toward a more deliberate activity designed not just to palliate suffering but to provide a remedy; in short, to go from sheltering the homeless to asking "why are they homeless, and what can we do about it?"

There will always be a need for charity, but more and more today we expect that giving, like investing, should have some kind of return – it should produce results beyond just feeling good about oneself. When resources are limited, as they are today, we feel even more strongly that they should be used in a way that produces the greatest effect. And this is where social venture philanthropy becomes important.

If early philanthropists were every bit as engaged as yourselves, that didn't prevent a certain hardening of the arteries as their individual roles became institutionalized through the foundations they established to carry on their work. This was not malign; institutionalization happens: personal passion and commitment slowly but surely morphs into bureaucratic norms, the routine of processing grant applications, the setting of program priorities and funding parameters. Over time, philanthropy takes on some of the trappings of an industry (notably in the U.S.), people enter into it as a career, and we have the emergence of a "grants economy," which is to the real economy as sponsorship funding is to paying for actual goods and services.

This may sound as though I am denigrating foundations and the people who work in them, which is not my intention. I am one of them and proud of the work we do at McConnell, but I recognize the power of entropy, the deadening effect of routine. One of the key challenges we face is to remain open and responsive. Business and governments have to change, the former to remain viable in the face of constant competition and the latter because at least once every four years they must answer to voters. The world of philanthropy is somewhat insulated from the need to change, and – for donors at least – quite comfortable. Accountability tends to be one-way, from recipient to donor, and honest feedback ranges from limited to non-existent.

We know that change is needed. It is not just that we have a much more competitive fundraising environment. The way money is now provided often has perverse effects: donors are "quirky," they sometimes seem to suffer from ADD; successful organizations are unrecognized or unrewarded (since raising "too much money" is a reason to cut the next year's budget); honest assessment is penalized, so that organizational learning is discouraged; and risks are borne almost exclusively by the weaker partner.

In the past, these perverse effects were not so important. Government was the largest funder of charitable activity in Canada, and its funding tended to be stable, long-term and to cover operating costs. But in the '90s as a result of budget-cutting and a heightened concern over accountability, government funds – like corporate and foundation money – shifted from a program to a project basis. Now organizations are forced to compete for projects, and there is little or nothing for "overheads" – in other words, for investing in staff and infrastructure to ensure that organizations can improve their work and remain viable over the long term. Worse, we are asking charitable organizations to act like businesses while denying them the tools any business would consider indispensable.

It is obvious why "social venture philanthropy" or high-engagement philanthropy has brought a corrective focus to many of these problems. Beyond your achievements here in Calgary you are demonstrating that these failings in the operating methods of many donors can be corrected. And that can only be positive for the whole field of philanthropy in Canada.

Of course, challenges remain. SVP Calgary is barely four-and-a-half years old. Where will you be in 25 years? I can't tell you that, but I can give you an example from the McConnell Foundation's experience. As I mentioned earlier, this foundation was set up in 1937, which makes us one of the oldest in Canada. But we are very different today from what we were when the Foundation was essentially an extension of Mr. McConnell's personal giving – to organizations and causes he was involved in or committed to. We are more likely to initiate programs ourselves, and not just respond to requests. We don't have discrete program themes like the environment or health, but rather address large-scale societal challenges, like how to help citizens actively contribute to community-building, and how to ensure our communities are able to respond to economic, social or demographic change. More often than not we fund programs, not discrete projects, and the funding can extend for 8-10 years rather than the 2-3 years of a decade ago. Most crucially, a concern for the long-term sustainability of our initiatives means

that we find ourselves often engaged in some form of systems change, that is, a permanent shift in how things are done or how resources are allocated.

ArtsSmarts, a Foundation initiative to give children an opportunity to experience the arts both to improve learning outcomes and to develop an appreciation for creative expression and (we hope) a lifelong appreciation for the arts, has spread to every province and the NWT. Since our ability to sustain this is necessarily limited, the program was designed to impact educational policy – to convince teachers, parents, school boards and Departments of Education of the need to re-direct funding into arts-infused education because of the results it produces, and it is doing just that. Our program to provide respite for caregivers started off working with nine organizations across Canada to identify best practices. We learned that existing programs often focused on the receiver of care, not the care provider, and that respite was not a service but the *outcome* experienced by the provider. By building in an explicit policy component, the respite to caregivers program has begun to influence the federal government's recent initiative to recognize and support the role of family care-givers in Canada's health system.

I mention these just to demonstrate how profoundly institutions can change if they remain flexible and responsive to new needs, and open to learn from the experiences of new actors in the field, like SVP. It is a truism that what defines our time is constant change, just as it is a truism that with age both people and institutions grow to resist change. That means in philanthropy we must constantly challenge ourselves, and remind ourselves why we are doing what we are doing. Building the capacity of the organizations we fund is one of the cornerstones of "engagement philanthropy" and has become highly influential in recent years. But we need to remind ourselves that our goal is not just more capable organizations and more stable revenues. Our goal, wherever possible, is social change, and for that you must believe change is possible. If children are coming to school hungry and not prepared to learn, the first response of course is to provide them with a nutritious meal. The next is to ask, why does this situation exist, or persist? Can something be done to address the cause, not just the symptom? Our goal, after all, is to ensure children have the best possible start in life, not to be substitute parents.

As SVP Calgary matures you will encounter – or have done already – problems, and some possible limitations of a social venture approach may emerge. One issue concerns recognizing successful programs by giving them the means to "grow to scale," as would happen with a business. A simplistic

view would say this is a self-evident proposition: if an activity is benefiting one group, why not extend it to as many others as possible? Well, the McConnell Foundation has learned something about this through some 20 grants to disseminate proven successful program ideas in widely different fields. We have learned that most of the business models don't apply – replicating, cloning, franchising, and so on. The value of voluntary organizations is not in generalizing an approach (that is what governments do: standardize and make a service universally available). Rather it is their ability to *tailor* a program or service to meet specific needs.

A second issue you will face, or have already, is that of "exit strategy." In a commercial start-up there is an IPO or other mechanism that allows investors to get their money back. The equivalent for not-for-profits used to be the "hand-over" to another donor or to government for continued funding. That rarely happens anymore, so how do you cut a grantee loose, or avoid having all your resources committed indefinitely to the same small group of recipients? This is why at McConnell we have found ourselves having to address the need for "system change" if projects are to be sustainable over the long term; in other words a permanent shift in the regulatory environment on resource flows that will ensure continuity. But if systemic change is indeed a condition of success, it won't occur haphazardly – it must be designed into the project from the very beginning. In other words, the exit strategy cannot be separated from the initial decision to fund.

Finally, there is the question of control. Engagement in its most positive form is about sharing risk and sharing resources, not just money, but ideas, management skills, social networks and so on to enhance results. But it is not always positive. Voluntary organizations have to respond to many forces, not all of them harmonious – the groups they serve, donors, volunteers, and others. It is in order to manage them that they have volunteer boards. A single powerful donor, no matter how well-intentioned – especially one combining money and expertise – can take control away from the board and usurp responsibility that should be vested in the organization itself.

The second reason I gave at the beginning of my comments for saluting SVP Calgary is that you have introduced a new cohort to the practice of philanthropy – and a form of philanthropy that engages their full range of talents, enthusiasm and commitment. This is important – of course, philanthropy (and I am not talking here of charity) long ago moved away from being the privilege of truly wealthy people. The rise of community foundations has encouraged people even of modest means to be philanthropic and in so doing it democratized the field to everyone's benefit.

But a growing challenge in the charitable or voluntary sector is how to remain relevant to people who are not content to simply be passive donors. United Ways are finding it more difficult to raise undesignated "general" revenues to allocate among their member agencies in the face of competing appeals that offer more hands-on opportunities. The enduring appeal of international child sponsorship programs testifies to people's desire for connection. Faceless appeals, the flood of interchangeable requests we receive through the mailbox (practically the only thing we receive through our mailboxes these days!) just don't do it.

People value the opportunity to connect because in that act they create *community*. In a mobile world of virtual relationships, people feel the need to participate in a real community, to engage with others to address needs and contribute to the public good. Increasingly it is through our voluntary activities that we can express our values, contributing time and effort to the causes we deem important – to ourselves, our communities and our society. This is where we answer the question "what kind of Canada do we want?" And it is through participation that we build shared values, which are the basis for community.

John Gardner in his book *On Leadership* wrote: "Families and communities are the ground-level generators and preservers of values and ethical systems. No society can remain vital – or even survive – without a reasonable basis of shared values, and such values are not established by some edict from lofty levels of society. They are created in families, schools, churches, organizations and other intimate settings in which people deal with one another face to face. The ideals of justice, cultural diversity/inclusiveness, and compassion are nurtured in communities."

I want to close by saying that effective philanthropy always asks three questions: first, *what* needs to be done? The answer to that question is found in each one of you, in whatever moves and motivates you. There is no shortage of causes, and the only limits to action are those of lack of imagination and lack of will. Second, *how* can we make a difference? And the answer to that lies in observing, learning, experimenting, innovating and constantly adapting. Finally, and most importantly, *why* are we doing this? The answer to that is *because we care*, because we are citizens who have a stake in building a better community and a better world, because we want our children to enjoy all the benefits and opportunities available in our very fortunate country, and because while no doubt there will always be social pathologies, we will never concede that they are inevitable or that we are powerless to address them.