

Schultz and Williams 30th Anniversary Event
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Philadelphia, PA

Where We Have Been, Where We Are Going, and the Need for Necessary Trouble

Thank you, Scott for that kind introduction.

I am delighted to be part of this celebration of the 30-year existence of Schultz and Williams. That is a milestone to admire and appreciate because of the great work they have done on behalf of their clients which has helped those clients raise millions and millions of dollars that have, in turn, been invested in good works generating enormous amounts of positive social, cultural and environmental capital.

Having been part of the senior leadership team that started up and built Rockefeller Philanthropy Advisors, I know what it takes to manage, sustain and grow a consulting firm. It is hard and demanding work. You are on call 24/7. The revenue meter starts at zero on every January 1st. I can go on. I will just say that my hat is truly off to Scott and Jane for having done it for so long and so successfully.

I am also happy to be here because although I have been in working in New York City since 2001, and

have embraced all that there is to love about the Big Apple, I still consider Philadelphia, the Big Scrapple, a community I lived in for 18 years, home. And as you all know, once a Phillies and Eagles fan, always a Phillies and Eagles fan. And with the NY Giants 1 and 5, it is really, really great to be an Eagles fan these days - in Carson Wentz we trust!!

I started in Philanthropy at Scott Paper Company in April 1988. Cindy Giroud, who I am sure many of you remember for she was a great grantmaker, gave me my break via an internal promotion. God bless her for that move for I have thankfully never looked back.

Along with Cindy there was a terrific group of corporate and private foundation grant makers back then who taught me a tremendous amount about philanthropy and the nonprofit sector. Jeff Lindtner at CIGNA. Steve Cohen at Arco Chemical. Kate Allison at Fidelity Bank. John Whelan at Core States. Dale Mitchell at IBM. Dean Lind at Sun Oil. Harry Cerino, Dick Cox, and Cathy Weiss at William Penn Foundation. Kay Pyle and Helen Cunningham at Fels Fund. John Ruthrauff and Carolle Perry at Philadelphia Foundation. And how could I forget the fun but raging debates I would have with Sani Fogel

when she was the first Executive Director of Delaware Valley Grantmakers.

There are some dear friends here tonight that have been great colleagues throughout my career. Amy Seasholtz has been at D-V-G now the Philanthropy Network of Greater Philadelphia, since its beginning in 1988. She is an astute observer and analyst of the field locally and nationally and I value her opinion greatly.

I first met Sara Moran when she was working for Provident Bank. She was smart and cool back then in the 1990s and still is in 2017.

Nadya Shmavonian was a source of great help to me, and a mentor, when I was a program officer at The Pew Charitable Trusts back in the mid-1990s. It was no surprise when she went on to do great work with the Rockefeller Foundation, Public/Private Ventures and consulting with various philanthropic entities across the country. Now guiding the work of the Repositioning Fund, Philadelphia's nonprofit sector is lucky to have her wisdom tackling compelling issues and problems.

Finally, I want to give a shout out to one of my closest friends and colleagues. Greg Goldman was

a Program Officer at The Philadelphia Foundation when I was at Pew when we met in 1993 or 94. We bonded immediately. Since 1997, we have taught a course on the role of philanthropy and nonprofits in urban communities in the School of Social Policy Practice at the University of Pennsylvania. During that time, we have worked with more than 600 students. It has been tremendously rewarding and great fun because, in part, we don't agree on everything. It has also been great because the students have been terrific and many have pursued careers in philanthropy and the nonprofit sector. Indeed, one of our recent students, Jin Ho is working for Schultz and Williams. Where's Jin?

When Scott called me a few months ago about speaking tonight he asked that I reflect on what I have seen in the field of philanthropy and the nonprofit sector and where do I think we are going or heading. Hmmm.... a daunting challenge in front of a knowledgeable audience. But, I thought, what the hell, lets tackle it.

So, I will share some thoughts about then, now and the future. And whatever the future may hold, there is one unifying action we all must do, and I will talk about that at the end of my remarks. Hopefully, this will trigger some ideas and/or comments that we can

discuss or debate in the Q and A, and most important, continue the discussion over cocktails.

As I think back to starting in philanthropy at Scott Paper - may it rest in peace - it was a very different field and environment.

It was a quiet field. Little attention was paid in the local or national press - save for an occasional article by Kitty Teltsch in the New York Times.

The dominant players in the field were private foundations built by wealth generated in the second half of the 19th or first half of the 20th centuries. They were exceedingly low-key. As an example, and as I recall and I am sure Nadya does, The Pew Trusts didn't publicly list its phone number until 1983.

Meanwhile on the other side of table in the late 1980s, it was still enough for a nonprofit to justify its existence - and its need for funds - by simply stating that it filled or served a need.

Truth be told, it was a lovely, somewhat clubby atmosphere to work in. Back then, you could actually convene most of the philanthropic community at the annual conference of the Council

on Foundations. Indeed, I always thought President Bush's idea that was coined during this time, a thousand points of light, aptly captured the nonprofit sector back then. Lots of nonprofits doing lots of things - but adding up to what?

In the 1990s we had the arrival of the Second Gilded Age. There was an explosion of wealth that triggered a huge increase in the creation of private foundations – from 25,000 in the 1980s to well over 100,000 today.

And while more money devoted to philanthropy emerged, so, too, did a new ethos and discipline on how to give money.

First, there was metrics. Because the new wealth was generated by businesspeople who had little history or legacy when it came to charitable giving, they fell back on what they knew well: the bottom line. That and the language of business. As I am sure you recall, there have been over the years countless stories and profiles of newly minted philanthropists with serious business backgrounds just flabbergasted at the lack of discipline, execution and evaluation in the nonprofit space. As a result, over the last 20-25 years we have had a bullfight of

a debate over metrics. And guess who has won that bullfight? The rich guys.

No longer can nonprofits use the idea of "we exist, therefore we are" as a way to justify their existence or as a reason to be supported. (Although you would be surprised how many nonprofits still cling to this ideal.)

In a few minutes, I will come back to this topic.

Another major phenomenon to emerge from the Second Gilded Age was the role of the Social Entrepreneur and Social Enterprise.

It was clear in the mind set of these new donors that old school nonprofit managers did not have a clue about how to create or generate real positive social, cultural or environmental change. Hence the nurturing of the social entrepreneur. This was further amplified by major business schools embracing this concept and making it part of the MBA experience. It also didn't hurt that the Lone Ranger social entrepreneur idea deeply resonated with Millennials who disliked the idea of working for the Man - for profit or nonprofit.

Social entrepreneurs would become the cavalry of the sector. Armed with a big heart and big brain and lots of business skills, they would help make nonprofits and philanthropy more effective.

Riding alongside social entrepreneurship would be social enterprise businesses and some nonprofits with a double or triple bottom line. New wealth donors not only wanted to give away money effectively, they wanted to invest dollars. They wanted to do well and do good. Together, these two forces would revolutionize the field.

By the early 2000s, what was once an insular and reserved field had become much broader, with an ever-shifting culture, and an old guard yielding power to a new set of leaders - like Gates, Broad, Skoll, Omidyar and the hedge fund titans in New York City and Connecticut who founded the Robin Hood Foundation. And because of coverage in the mainstream and business media, philanthropy and ideas like social enterprise were no longer off stage – it was, in many cases, in the spotlight.

And then literally nine years ago this month, the economic correction of 2008 nailed us. To me, it is an important point in time for philanthropy and for the nonprofit sector.

First, it took us about three years to restore the endowments of private foundations which on average lost 27% of their value in 2008. Private foundation endowments are now not only back but bigger. Billions have been poured into donor advised fund vehicles - Fidelity's DAF has donated \$5.5 billion to charities from January 2016 thru June of this year. Overall giving in 2016 in the U.S. was \$390 billion. Big numbers. But still giving continues to grow at only about 2% a year in the U.S.

Second, while there was an influx of federal money via American Recovery and Reinvestment Act in 2009-10, federal, state and local government funding levels have not returned to pre-2008 levels. And given politics what they are, I don't expect public levels to return any time soon or at least in my lifetime -- and sadly, perhaps never.

Third, the demand by donors for results, outcomes, and impact continues even though nonprofits -- especially those that rely on government support or contracts - were working with less funding that lacks proper overhead and are not paid on time.

Fourth, we don't see a consolidation of the sector but rather more nonprofits created by social

entrepreneurs and donors who seem to have little or no faith in government or long-standing institutions save for the usual suspects such as Penn, Harvard and the like.

As we look towards the end of 2017, where does this leave us? Especially as we think about the future?

Right now, I think it is a very muddled picture. We don't lack for ideas, resources or energy. The philanthropic community is filled with all kinds of gung-ho, super smart people interested in all kinds of ideas, trying all kinds of approaches and informed by a bevy of academics, consulting firms big and small, and peer learning organizations like Grantmakers for Effective Organizations – an infrastructure simply did not exist 25-30 years ago. One can now spend countless hours sifting through essays, monographs and books about systems thinking, best practices, logic models, theories of change, and so on.

There is ample money to spend to generate positive social impact. According to Giving USA, \$59.3 billion from foundations and \$18.5 billion from corporations was spent in 2016 on philanthropic endeavors. \$77.8 billion -- that is some serious coin.

So, with all of this talent, intellectual fervor and cash, why are we not generating or sustaining programs that are tackling serious problems – poverty, urban K-12 education, climate change, homelessness – and coming up with serious solutions?

The answer is, in part, we are making some headway. That is good news. I can, and so can you, cite examples of individual programs or efforts that are making a difference in some of the issues areas I just mentioned. But I bet in every example you could think of, they are small or modest, maybe city-wide at best.

But a big problem is the scaling question. And right now, the field of philanthropy is having several conversations in different places about scaling and almost all of them missing the larger point.

The century old model of scaling used by philanthropy is that philanthropy funds a nonprofit or nonprofits to come up with a solution to a problem. The nonprofit works on the problem and comes up with a solution. It is evaluated (paid for by philanthropy) and the solution is found to be sound. For societal impact, the solution is then turned over to government which then funds it at a scale so that

an entire city, state or country reaps the benefit of the nonprofit's wonderful work. As they used to say in 18th century Philadelphia, huzzah!

Given the current state of government funding post-2008, there are some in philanthropy who have decided to scale high-performing solution-oriented programs with....more philanthropic money. Indeed, there's one major national foundation that has raised \$1 billion from private donors to help it scale programs of selected nonprofits it deems worthy of massive scaling – pushing that nonprofit from say eight figures in operating revenue to nine figures. Big deal, right?

Yes, but. The end result might be a larger nonprofit with more capacity and maybe moves it from helping thousands to tens of thousands. A good thing. But what if the problem is still at a scale of hundreds of thousands? Millions? Do you put more private philanthropic money into the nonprofit? At what point, should government step in? Actually, at some point government *has* to step in. Because only government has the capacity to fund at a level that reaches the true depth and breadth of any problem we confront in this country.

We have many in the field of philanthropy so enamored with scaling that we explore different models of scaling using business language – franchising, replicating, and so on.

Scaling of that nature is going to yield incremental change, not big change. Yet, we have scaling advocates who sell scaling like it will truly be a societal solution. It is a misleading claim. And the people who promote it should know better.

There is similar behavior going on regarding Social Impact Bonds and Pay For Success models. The purveyors of this vehicle claim that SIBs and Pay For Success can harness the best of market forces to effect change, hold government accountable for results, help the underserved, and provide a return on investment for the investor. Here's the problem: they don't work very well. And in fact, the Pay for Success program at Rikers Island in New York City failed, the Utah Pay For Success effort around Pre-kindergarten programs measured the wrong things, and the original Social Impact Bond in the UK at Peterborough Prison focused on recidivism changed its goals so many times, the final and "successful" results were and should have been openly questioned by critics and the press. In many ways, and in my opinion, Social Impact Bonds are the field

of philanthropy's "Best and the Brightest" moment. The Best and the Brightest is the title of the David Halberstam's great book chronicling the history of the aides who pushed President Kennedy and then LBJ into Vietnam even though they knew it was a quagmire and ultimately not a winnable war.

With Pay for Success, some of the Best and the Brightest in the field are pushing a flawed vehicle knowing that it yields little in the way of positive social change. My favorite comment about Social Impact Bonds came from U.S. Senator Angus King of Maine, who at the end of a Senate Finance Committee hearing in May 2015 on Social Impact Bonds and pay for success models said, "Can't we just make government work better?"

My reason for spending a minute or two on scaling and pay for success is to show how the field of philanthropy and the nonprofit sector can get distracted by bright and shiny objects when there is so much at stake in the communities or issues we all care about. Which leads me to the final two words in the title of my portion of the program: Necessary trouble.

The great civil rights leader and Congressman John Lewis noted in his commencement address to the

2016 graduates of Bates College: “You must find a way to get in the way and get in good trouble, necessary trouble. To save this little piece of real estate that we call earth for generations yet unborn,” Lewis said. “You have a moral obligation, a mission and a mandate when you leave here to go out and seek justice, for all. You can do it, you must do it.”

Lewis was speaking to newly minted graduates when he shared those words and he said them before Donald Trump got elected almost a year ago.

But to me, those words deeply resonate now. And yes, it resonates because of the daily indignity that is the Trump Administration as well as the greed and callous attitude of the so-called GOP leadership in DC. And I wish I could say short-sighted thinking and bad policies were limited to one side of the aisle but sadly that is not the case in places like New York City and State, New Jersey and here in Pennsylvania.

As an observer and some-time participant in politics, I cannot think of a time in my lifetime when politics and its role at all levels in our country has been so mediocre to bad and so deeply divided. I am somewhat comforted by history -- we have had these political dynamics before. For example, on November 8, 1954, President Dwight D. Eisenhower

said, "Should any political party attempt to abolish social security, unemployment insurance and eliminate labor laws and farm programs, you would not hear of that party again in our political history. There is a tiny splinter group, of course that believes you can do these things. Among them are Texas oil millionaires and an occasional politician or businessman from other areas. Their number is negligible and they are stupid."

I am not going to stop anybody from this room from getting politically active. To be sure that is worthwhile activity to be involved in. No, what I want you to do is get active professionally — as one who works in the nonprofit sector. You need to add necessary trouble to your job description.

Why? For a moment, let me go back to this country's history. A few blocks from here Benjamin Franklin had come up with a very important idea some 250 years ago. He realized that this set of colonies that would soon be a fledging country could not just rely on a public and private sector to make it work. There was a need for a third sector to provides goods and services that were most likely not profitable enough to attract business and/or would or could be politically unpopular that government would not want deal with it. While not a supporter of the Mathers, Franklin was

impressed with what the Puritans had done to build and sustain a colony in and around what is now Boston and admired community institutions they had built — such as Harvard College. What old Ben didn't like was the religious aspects of such institutions. So, Franklin did a great and important thing — he essentially secularized the nonprofit sector in Philadelphia and demonstrated that it could work without religious influence by creating the likes of Pennsylvania Hospital, University of Pennsylvania, volunteer fire companies and the Library Company of Philadelphia — the forerunner to the great Free Library of Philadelphia.

My point in sharing that brief history lesson is that this country has been built on a three-sector model — public, private and nonprofit. No question, that public and private sectors battle constantly for dominance and the nonprofit sector does it best to ameliorate the damage that the two sectors can cause.

But it is my opinion that really since the days of the Reagan Administration, there has been a steady drumbeat by conservatives that market forces do a better job addressing social ills than government forces. This drumbeat has returned and has been amplified by the Trump Administration and the GOP. In response, the Democrats counter with, well, more

government, something that very few seem to get excited about.

Here's where the necessary trouble comes in. It is time for all of us to pump up the advocacy. Our collective voice is not being heard by the other sectors. We are not effectively sharing the good and great ideas that exist in our nonprofits that can help to change issues or communities for the better. We have yielded the high ground again and again to miss- or badly informed political leaders or businesspeople and allowed them to direct various policy debates or discussions. What a waste.

To create necessary trouble, I would suggest that every nonprofit needs to adopt the Forces for Good operating model. Execute outstanding programs and services on behalf of your clients or your community; take your results and learnings and push them up and out of your nonprofit to influence policy. You and the institutions you manage are the experts. Not some commissioner. Not a city council person. Not a state legislator. Not a Congressman. You.

Some years ago, Richard Ravitch, a former Lieutenant Governor of New York and one of the wise men who saved New York City from going bankrupt in the 1970s, told a Philanthropy New York audience

that philanthropy and the nonprofits were the common good and in state government budget discussions the common good is never at the table, it was on the menu. Think about that for a minute. That is a tough truth because it is still happening.

In these current times, we need to change that dynamic. We must be at the table. We must be the experts. We must start driving policy conversations — not being run over by them.

And to do that, we may need to stir up some necessary trouble.

I realize that what we all do in this room is not easy work. As I noted a few minutes ago, the nonprofit sector exists because we tackle issues and/or services that business or government see little to no upside being involved in. We tackle thorny problems. The great historian Arthur Schlesinger, Jr., once said, “Problems will always torment us because all important problems are insoluble; that is why they are important. The good comes from the continuing struggle to try and solve them, not from the vain hope of their solution.”

I am heartened to see that perhaps some of my philanthropic colleagues are beginning to understand

that and not be distracted by bright, shiny objects. Rather, they are focusing on the hard work of sustained social change that helps all and changes systems for the better. There is an excellent article in the current issue of the Harvard Business Review entitled "Audacious Philanthropy." It highlights 15 efforts here and overseas that have had real impact and had real impact because the efforts had time — upwards of 15 years — to produce results and had capacity to advocate for larger systemic change and sustained the nonprofits with general operating dollars. Now, that is good philanthropy and great nonprofit work.

In closing, let me state that I am an optimist. I am the proud father of two sons, ages 13 and 15, so I must be! While I have some incentive to be optimistic, I really am because I do see what is possible. And I certainly understand those who are pessimistic given the daily feed of stupidity that one can access via the media and/or social media. You do worry about the future of our country. One thing that keeps me sane from a public affairs standpoint is a weekly dose of John Oliver. I highly recommend it.

More important, I am optimistic because I see what resources we have in the field of philanthropy and the nonprofit sector itself. We possess within ourselves, the programs, the ideas and the commitment to positively change and reform just about every aspect of our society. The only thing that is holding us back is a lack of organization and collaboration, and a will and desire to better advocates -- to create necessary trouble -- not only for ourselves but the clients and communities we serve.

These are not normal times. Operating in the same old way on both sides of the fundraising relationship will not produce better results or breakthrough solutions. On all fronts, nonprofits will need to be bolder, stronger, resilient, and loud. Our job as grantmakers is to make sure they have the resources they need to do just that. And general operating support dollars are the best way to embolden nonprofits and their work.

Schultz and Williams have been in the field for 30 years and so have I. I get the feeling they are fired up and ready to go to help their clients not only survive current times but to thrive now and into the future.

I share that commitment as well. All of us in this room have serious work to do and necessary trouble to create. Let us roll up our sleeves and get to it.

Thank you.