

**BEYOND GRANTMAKING:
STRATEGIC PHILANTHROPY AND CIVIC EQUITY
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For more than a decade, I have been speaking and writing about the need for the strategic plans of foundations to include not just a grantmaking strategy, but the strategic use of all of a foundation's assets. In this period of reduced assets, we can sit on the sidelines and lament the shrinking of fiscal resources or we can become more creative and strategic in deploying the other foundation assets that have been largely underutilized.

It seems like a good time, therefore, for us to step back and ask what assumptions, what social analysis lies behind the work of our foundations, what theory of change informs our use of the myriad assets at our disposal, how often is equity a consideration in what we conclude is successful, and finally do we have an organized and disciplined way to determine what truly works in advancing equity and closing social gaps. Given their role as custodians of values as well as resources, foundations can play a major role in keeping people at the center of concern in a culture where power and wealth are an increasing preoccupation. But our vision for the future must be to help move the nation beyond the tolerance of difference to valuing diversity; to an understanding that opportunities and outcomes are interrelated and to a commitment to give new life to the promise of equality in the workplace, the schoolhouse and our civic institutions.

The dominant mood of our time is that of a society integrating and fragmenting at the same time. The more interdependent we become, the more some of our people turn inward to smaller communities of meaning and memory. Some observers argue that hatred of the other, the fear of difference, whether because of gender, race, sexual orientation or national origin has made a comeback. I would argue that for some Americans it never went away. The issue is not whether hate is back. It is whether we have allowed a few loud and angry voices to assume that it is socially acceptable to use hostile and demeaning public rhetoric to destroy the dignity, deny the humanity and de-legitimize those with whom they differ. Those of us who worked in the civil rights movement and the public life of our nation in the 1960s learned that violent rhetoric can lead to violent consequences.

The institutions of organized giving are uniquely placed and uniquely prepared to make the case to our colleagues and trustees that the concern with equity is not simply a moral imperative. It is part of the larger struggle for the soul of our democracy. I have spent enough time living and working overseas to conclude that the best way to demonstrate the efficacy of our democracy to critics abroad is to demonstrate that it can work equitably for all of our citizens at home.

The best rationale I know for urging philanthropy's engagement with issues of equity is that our destiny, our wellbeing as a people are now tied together; and if we do not act now, generations of youth will be under prepared, our capacity to thrive

in a national and international economy will suffer, the progress we have made will be unraveled and the values we have affirmed will be eroded.

That is why I hope you will use this time together to examine how best to strategically deploy, not just grantmaking, but all of the assets of a foundation to promote equity. Let me thus outline and re-emphasize the five forms of capital that foundations can use to serve a public good.

Conventional Capital

The first is, of course, conventional capital. The phenomenal growth in foundation assets, even when the recent decline is considered, has far exceeded any thing I could have imagined when I entered the field a little more than forty years ago. The opportunities to use these resources creatively are enormous and extend far beyond traditional grantmaking. Yet, the commitment to equity should begin with grantmaking priorities and the grantmaking process. How many foundations, for example, require a diversity profile of nonprofits applying for a grant? That may seem like an obvious, but small step to some. Yet, I have sat on the boards of large and influential nonprofits where the CEO or other board members were much more assertive on equity and diversity when they were able to say a potential or actual donor will include the organization's performance in this area as part of its guidelines for deciding whether to make a grant. Quite frankly, as a board member it has often helped to put teeth into my own urging in that regard.

Using conventional capital effectively also requires that we look regularly at our stewardship of the almost half a trillion dollars controlled by the foundation world. With that amount projected to grow to over two trillion dollars over the next generation, we have enormous opportunities that go beyond grantmaking. One foundation executive said recently that how foundations invest these assets can even influence financial markets, helping them to become "less indifferent, in some cases less hostile and in some cases a downright ally to bringing about the kind of investments that can make for a fairer, safer and maybe a more prosperous country."

Conventional capital can be used to promote equity in other important ways as well. A foundation can invest some of its endowed assets for the same social purpose as its grantmaking. Mohammad Yunus, the Nobel Prize winner and founder of the Grameen Bank in Bangladesh demonstrated in the midst of many doubters that micro loans could energize the entrepreneurial spirit in low wealth communities around the world. His micro credit scheme has been called "economic and social development from below." A collaborative program-related investment strategy by a large group of foundations that used some small portion of their assets for micro-loans could far exceed the impact of the Green Bank.

Another area that concerns me is the disconnect between program goals and investment functions. Philanthropy before the recent downturn in the economy was in the midst of a seismic change with dramatic growth in the number and size of foundation. Some foundation leaders were beginning to question the basic assumptions of how foundations should operate. I sit on the board of the Heron Foundation and I have been impressed by the way in which large portions of financial assets have been used for mission-related investing while at the same time growing the asset base for use in perpetuity. We have focused heavily on wealth creation strategies because we agree with those economists who argue that while income is critically important to help people get along, it is assets that will help them get ahead.

Social Capital

The second set of strategies for promoting equity has to do with social capital. Robert Putnam popularized the concept and we now use it frequently to refer to the

idea of networks, norms, social trust and voluntary cooperation for mutual benefit. But Putnam, like Alexis deTocqueville and Robert Bellah before him, has not sought to apply the concept to foundations.

Communities throughout the United States have been experiencing a population shift that has brought new neighbors who are fueling the economy and a new middle class of color that provides the potential for a new, but stronger, civic culture. While there is a tendency to think of these groups only in relation to the demand side of philanthropy, many are now in a position to contribute to the supply side. Today's wealthy includes growing number of women, blacks, Latinos, East Asians and South Asians who bring to philanthropy their cultural traditions as well as their assets. But before we can fully engage them in a common effort to make our communities more of a community, they must be made to feel that they belong, that their traditions are respected and their contributions recognized.

At the same time, however, philanthropy has never been, and should not be seen, as only the province of the wealthy. Studies of the helping traditions and practices of low wealth communities are now identifying the many ways in which the poor help each other. A research project that I chaired at the University of Cape Town, at the urging of Linetta Gilbert I might add, published its conclusions in a book entitled *The Poor Philanthropists*. It highlights practices very similar to those I first encountered as a kid growing up in black communities in the Deep South. Foundations can use their social capital to help unleash and inform the philanthropic impulse that lies in all of our citizens and communities. This is not creating a culture of giving as some suggest, but simply finding ways to connect with and help expand an existing culture.

Consider for a moment how deep and enduring are the giving and helping traditions of some of the groups that are changing the face of our civic culture. As early as 1598, Latinos in the Southwest formed mutual aid groups, "mutualistas" and "confraternidades," to assist members with their basic needs by serving as vehicles for self-help, social cohesion and a positive group identity.

Long before deTocqueville became the most quoted, and probably the least read, expert on American civic life, Benjamin Franklin had become so enamored of the political and civic culture of the Native Americans he met in Philadelphia that he advised delegates to the 1754 Albany Congress to emulate the civic habits of the Iroquois. Many of the early tribes engaged in "give aways," which reached its most advanced form in the potlatch ceremonies of the tribes of the Northwest as well as in the custom of Chippewa mothers who used to tell their young daughters to take a dish of food to a neighbor simply to teach the child to give and share.

Long before Martin Luther King wrote his *Letter from a Birmingham Jail*, African Americans had formed so many voluntary groups and mutual aid societies that several states enacted laws in the nineteenth century banning black voluntary or charitable organizations. Long before Robert Bellah wrote *Habits of the Heart*, Neo-Confucians in the Chinese community were teaching their children that a community without benevolence invites its own destruction.

The point I am making is while the benevolent traditions of the new groups are deep and enduring, many of the newcomers have a limited knowledge of the techniques of organized giving in perpetuity. The whole of the community can benefit from targeted efforts both to activate the latent charitable impulse and to provide information on the many incentives and options for organized giving.

The time has also come for increased collaboration with those equity philanthropy seeks to benefit. If philanthropic strategies are to be effective, then the people affected must be included in both planning and implementation. The old question what can we do for them, or about them, must change to what can we do with them, how can we work together. If racism was the original American sin, the persistence of paternalism may be its most enduring counterpart. One additional way of increasing effectiveness is for collaboration of national donors with local racial and ethnic organizations who not only share your commitment and mission, but have the advantage of proximity, local knowledge, local experience and local trust.

Intellectual Capital

A third set of strategies should grow out of how a foundation uses its intellectual capital. Foundations have access to information, ideas and practices that can help shape community discourse and help strengthen community development. We need to help make the case to the larger public that diversity need not divide, that pluralism rightly understood and rightly practiced is a benefit and not a burden, that the fear of difference is a fear of the future. Many of the nonprofits we fund are engaged passionately in public life, but like Thoreau at Walden Pond, many build castles in the sky and then set out to put foundations under them (No pun intended). Foundations can help them to ground their passion into persuasive evidence by providing not just money but knowledge. I find that when I use foundation studies about the high costs of being poor, how people in low wealth communities pay more for what their higher wealth counterparts pay less, for example, people listen more attentively.

I know that many in philanthropy are advised that it is unwise, illegal or too risky to get involved in support of advocacy groups that seek to inform or enrich the public policy process, but I served on the Treasury Department's Task Force that struggled with how to define lobbying and I can tell you that there is much that foundations can do to objectively inform and influence policy. Moreover, the effects of their engagement in public policy throughout the nation are engraved widely and deeply in legislation, in court decisions, in public attitudes, and in social changes across a wide front.

One way or another, the American foundation has pointed to shortcomings in public policy that has significantly changed the way we meet our responsibilities to each other as a national community

Reputational capital

The fourth form of capital is one we rarely think about and is one of the most overlooked contributions of foundations. It is what Robert Putnam has called reputational capital. Like conventional capital for conventional borrowers, foundations can use their social capital as a kind of collateral for those whose formal credentials and written proposals under state their potential and reliability. A grant is a good housekeeping seal of approval that says to other potential funders that the foundation has done due diligence and find this organization credible, accountable and effective.

This is especially helpful to groups that are often marginalized because of the past of those who lead them and the pathologies of those who are served by them. Their leaders may be most effective in working with high school drop-outs, former drug addicts and the formerly incarcerated precisely because they were once victims of the same predicament; and because they greatly value their support from more established community groups they acquire an additional incentive to perform responsibly.

A foundation can also use its credibility with influential decision makers to highlight an area of local need overlooked or neglected by the larger community. In that regard, I hope that community foundations, in particular, will use their credibility at the local level to help educate the public on the policies and practices needed to make our society work for all of its citizens; but it is not enough to be simply advocates who speak in behalf of the marginalized groups in our communities. We must help empower them to speak for themselves. If racism was the original American sin, the persistence of paternalism may be its most enduring counterpart. One of the most striking and fundamental lessons coming from around the world is that when we empower the historically excluded to be active participants in the programs designed for their advancement, we are likely to have not only new ideas and wider ownership of strategies, but increased effectiveness as well.

Moral Capital

The fifth form of capital that a foundation can use in promoting and advancing equity is its moral capital. We are custodians of values as well as resources. Who better than foundations to inform, enrich and enlarge the present discourse in our society about ethics in public life. Many of those who talk about public values do so to affirm absolutes when what is often needed is an understanding of ambiguity. Religion does a good job of focusing on the micro-ethics of individual behaviour, the private virtues that build character. Foundations can help our nation focus on the macro-ethics of our aggregate existence, the public values that build community.

A second opportunity to use our moral capital has to do with the affinity we share with our colleagues who see charity as a premier public value. While saluting them for the noble and necessary work they do in ameliorating consequences, philanthropy is likely to have a greater impact when we seek to eliminate causes. That is a distinction many of our trustees, and certainly many of our publics, does not understand. It is thus critical that we focus more attention on distinguishing between philanthropy and charity. I often do so by using the story that has transcended parochial religion to become a prototype of charity. It is the story of the Good Samaritan. We are told that a traveler finds someone badly beaten along the side of the road and stops to help. Suppose that same man traveled the same road every day for a week and each day he found someone badly beaten at the same spot on the road. Compassion requires that he give aid, but eventually compassion requires that he ask, "Who has responsibility for policing the road." What started out as an individual act of charitable aid leads to a concern with public policy? The first response, as is the case when we respond to disasters, is to ameliorate consequences, but the second response must be necessarily aimed at eliminating causes. One is charity. The other is strategic philanthropy.

The third form of moral capital with which I want to close is the opportunity for foundations to help build community by design. The psychiatrist and author Scott Peck once wrote that we build community by accident and we build community through crisis, but we know far too little about how to build community by design.

I learned over the years that when neighbors help neighbors, and even when strangers help strangers, both those who help and those who are helped are transformed, that when that which was "their" problem becomes "our" problem, new relationships are established and new forms of community are possible. I learned many years ago that when you experience the problems of the poor or troubled, when you help to maintain excellence in theater or dance, when you help someone to find special meaning in a museum or creative expression in a painting, when you help someone to find housing or regain their health, when you help to fight bigotry and to

promote equity, you are far more likely to find common ground and you are likely to gain a sense of self worth in the process. Those of you, who have been involved in your community, know exactly what I am talking about because, like me, you have seen how providing help can also provide hope; how working together can eliminate the fear of difference; and, of course, how strategic philanthropy can promote inclusion and equity.

The honorable James A. Joseph was President of the Council on Foundations from 1982-1995 and U.S. Ambassador to South Africa from 1996-2000. He serves presently as Professor of the Practice of Public Policy Studies and Executive Director of the United States – Southern Africa Center for Leadership and Public Values at Duke University.