

BILL SHORE

CREATING COMMUNITY WEALTH AND LASTING CHANGE

One of the reasons, frankly, that I wrote my latest book, a surreptitious reason that I don't talk about, is that I wanted to see if I could impress my kids. They're 15 and 11, and at that age, impressing them is very difficult to do.

The main reason that I wrote the book, one that I believe is connected to philanthropy, is that I wanted to spend some time thinking about how we create opportunities and legacies for the generations that come behind us and, at the same time, do that through the eyes of my own children. One of the things that I did as a way of spending a little more quality time with my son was to be a chaperone on a field trip that his class was taking to the FDR memorial in Washington, which as you probably know, is our newest memorial. It's a spectacular memorial that's only been open about four or five years.

We arrived at the FDR memorial, which consists of four outdoor areas, each representing the four terms of Franklin Roosevelt. There's an incredible sculpture of a depression era bread line and a wonderful passage inscribed into a stone walls that says, .the test of our progress as a nation is not whether we add to the abundance of those who have much but whether we provide enough to those who have too little.. I kept calling the kids together to read these things and as I pointed them out, there was absolutely no interest; it was like a big play ground for them. When I got home afterwards I did the math and realized that my son, who is 15, was born the same number of years from Franklin Roosevelt's inauguration as my father was from Abraham Lincoln's inauguration. So this was just distant, distant history to them.

I spent some time at the memorial trying to understand what it might mean for philanthropy. When you think about the issues that Franklin Roosevelt dealt with, would he be surprised that we have illiteracy, homelessness, and have hunger in America today? I don't think he would be surprised. His administration dealt with the Great Depression and was almost engulfed by it. What would absolutely shock him is the fact that hunger, illiteracy, homelessness, teen pregnancy, and the variety of educational and health issues that we are encountering today are taking place against the back drop of an economy that has grown faster than at any time in American History. We live in a paradoxical time when wealth is being created at a rate never seen before, yet all of our social institutions are changing, creating an enormous opportunity for philanthropy to emerge as one of the highest performing, highest-impact agents of change in our country. When we think about philanthropy, about the kind of organizations that so many of us support, they are as diverse as could possibly be described, whether they are educational, environmental or health organizations. But I would argue to you that most of them have four things in common. Four things, that in some cases, add up almost to a culture of dysfunction. I think that the opportunity today is to address that culture in very powerful ways.

The roles of almost every organization that I've worked with are changing dramatically.

This is the first aspect that they have in common. Organizations living and working at a time when government has re-trenched, when social funding has changed, find themselves going from a position of having always done something important but supplementary, to now becoming the principle provider of critical human services. And of course, their resources have not grown commensurate to that responsibility.

The second issue with almost all non-profits, and particularly true of social service organizations, is that they are significantly under capitalized. Not only do they not have enough money to do their job, but in the universe of financial instruments that exists, a universe available to get big things done, most non-profit organizations use one, and only one instrument, and that is the charitable grant, the gift. You would not build or buy a home that way, and you would not start a business that way. For a non-profit organization, everything they do must be done on a pay as you go basis which is very limiting. Imagine driving your car from here to California and only putting gas in one gallon at a time; your car would break down before you got there, no matter how well intentioned you were. This will happen with some of the organizations we are working with today unless they learn to use other types of financial instruments, ones with long-term returns.

Thirdly, most of these organizations externalize all of their resources. They tend to be very generous, compassionate, effective service providers but very inattentive institution builders. They are just beginning to realize the need to become organizations that are built to last. Share Our Strength has funded over 1,000 organizations, usually about 250 to 300 a year. Most of the organizations we fund were started some time in the last 20 or 25 years, by somebody who thought they were doing something for a short period of time to bridge a gap, to take the place of something that government once did. They now look around, 15 or 25 years later, and realize they are still in place, and need to become an organization that is built to last. They haven't made the investments in staff, in training, and in other types of resources that are required to create such an organization. Every time we get on an airplane, the flight attendant tells us to put on our oxygen mask first so that we are better able to help those dependent on us. The non-profit sector doesn't fully understand the value of doing this.

The fourth issue, finally, is that most organizations completely depend on their efforts to re-distribute wealth, rather than on efforts to create wealth. We are living in an economy where more people have created more wealth than at any other time in American history, which presents a huge opportunity for a sector of society that has never thought about creating wealth. I will give you very specific examples of how organizations are doing this today, examples that are exciting in terms of what they teach us about the possibilities that exist.

Before I do that, and in order to give you a sense of how we got to this particular point, I would like to step back and give you a quick snapshot of Share Our Strength, the organization that I founded some 15 years ago. When we started Share Our Strength, we wanted to be an anti-hunger grant maker. We wanted to support food banks, school breakfast programs, children's hospitals that deal with malnutrition and failure to thrive,

and a wide range of anti-hunger and anti-poverty initiatives. We wanted to give grants to the best organizations that were working in our communities. What we did not want to be was a re-granter. We didn't see any sense in going to the community foundation or the new HSBC Foundation and getting \$20,000 so that we could give \$19,000 of it to the food bank. There seemed to be no value added there, in fact, there seemed to be a little bit of value subtracted, so we made a very unusual decision when we started Share Our Strength.

We decided that we wouldn't have any government or foundation money in our organization, we wouldn't do conventional direct mail, and we wouldn't have a large donor program, which basically backed us into a very small corner. The only way to fight our way out of this corner was to think of ways, as an organization, not just to re-distribute wealth, but to actually create wealth, calling it community wealth because, in our case, it goes directly back into the communities which we serve. To make a long story short, we began very methodically to organize the restaurant and food service industry arriving at a point where we became not only an anti-hunger organization, but also a market assembler, if you will, of chefs and restaurateurs. There are probably six to eight thousand chefs and restaurateurs who are intensely loyal to our organization. Danny Meyer from Union Square Café or Anne Rosenzweig from the Lobster Club, or Jean Louis who used to be at the Watergate in Washington, Todd English at Olives in Boston, you name it, they're part of Share Our Strength. That put us in a position to develop contracts and work with companies such as Evian, which pays us \$2 million for the right to donate water at all of our food and wine benefits. They bid against other bottled water companies for that right, in order to have access to a market that we have assembled.

Since the inception of the organization we have raised nearly \$100 million. A third of our revenues have come from traditional types of charitable contributions, but a full two thirds have come from marketing contracts, or licensing, or merchandise or other types of corporate partnerships that have created a new kind of wealth. Our contracts with companies such as Evian, American Express, William Sonoma and Barnes & Noble precipitated a big change in our organization when other groups came to us and asked us to teach them how they could position themselves to create their own wealth.

We created a consulting practice called Community Wealth Ventures. During the first year, Community Wealth Ventures did not work with clients, but instead, surveyed the landscape of entrepreneurial organizations that were dedicated to the proposition of sustainability and to achieving a scale that could have the greatest possible impact. As we surveyed these organizations, one theme emerged: whether you're talking about education, housing, healthcare, or any other issue, non-profit organizations are worth more than they think they are.

Typically, non-profit organizations understand how to use their assets to accomplish their mission. But they almost always under-appreciate how valuable those assets can be in generating revenues and in leveraging other types of activities. For example, we looked at and worked very closely with an organization in Seattle called Pioneer Human

Services which works with ex-offenders and substance abusers. When Pioneer Human Services began 15 years ago, they were doing residential placement and a variety of rehabilitation services. Then, they initiated a job training program. They decided that they ought to have a place to employ the people they had trained. Pioneer Human Services created Pioneer Industries, a factory, that today, 10 years later, is the principle supplier to Boeing Aircraft for their sheet metal cargo bay liners. They also manage the corporate cafeteria for Starbucks, which is headquartered in Seattle.

Today Pioneer employs 900 people. Pioneer Human Services went from \$4 million a year in revenues to \$50 million a year in revenues. They are the only non-profit in the United States that has their ISO 9000 certified industrial certification. They have reduced their dependence on government and foundation funding, which at some point, as generous and as important as it is, usually dries up or gets shifted to other areas. They got very smart about two years ago and realized that not everybody in Seattle needs sheet metal. They thought about other businesses for which they could become a vendor and purchased a printing, mailing and fulfillment house. They now go to Seattle area businesses, not only to talk about philanthropy, but also to talk about how they can be a qualified vendor for the products and services that these businesses need.

Another example is the Compass School in Boston. The Compass School deals with special needs kids who have been, in effect, discharged from Boston public schools for a variety of different issues including very difficult juvenile justice and violence issues. The Compass School has established a state of the art program for dealing with these kids. Their program is so good that they now have revenues of \$500,000 a year because they are training other schools on how to deal with these kids. Other schools are facing Office of Civil Rights Violations from the Department of Justice, a very common issue when dealing with these special needs kids. These suits are so expensive to settle that it makes much more sense for them to buy Compass. curriculum and to have Compass train their faculty. Although Compass. mission is to educate these kids, they found a way to use an asset they had created to generate other types of revenues.

This is a very important concept, first of all, because it creates revenues that do not compete with brother and sister organizations. Another advantage of this important concept is that organizations can use these revenues to do not only what is popular but also what is right, and sometimes they are two different things. Typically there are many constraints placed on the funds received by non-profit organizations. This is important because if you diagnose a problem wrong, you almost always prescribe for it wrong, and I would argue that a lot of our social ills are misdiagnosed. Many people think that because of the persistence, we often do not know what the solutions are for the almost intractable nature of issues like hunger, homelessness, and poverty.

I would argue just the opposite. I'm sure everybody in this room has had an experience with something you have funded, that there is absolutely no question in your mind, has made a difference in people's lives. It has changed the life of a family or a community or changed the entire way of being for those that it has served. If you go to Harlem here in New York and look at Geoffrey Canada's Rheedlen Center, a program that deals with at

risk young men, it's phenomenal how many lives have been turned around. If you go to Mary's Center in Washington D.C., a maternal and child health clinic that has completely reversed infant mortality statistics, you would have the same impression.

The issue then, is not that we don't know what the solutions are, in fact, the great hope and the great promise of what you are meeting about today is that we do know the solutions. What we don't know, or at least what we haven't paid a lot of attention to, is how we make those solutions affordable. How we make them sustainable. How we make them replicable. How we get them to scale.

A lot of the new technology wealth is being created by people who have had an idea and figured out how to get it to market. The tragedy in the non-profit sector today is that new organizations in Denver, or Atlanta, or Seattle, or Portland or any other city, are not connecting with accomplished organizations such as the Rheedlen Center in Harlem and Mary's Center for maternal and child health clinic in Washington. They are starting at square one and reinventing a wheel that has already been invented. It's going to take additional types of resources to connect non-profits.

Leslie mentioned venture philanthropy, which is another approach directed toward the same outcome. Very powerful ideas are emerging about philanthropy's need to not only be more outcome based, but also to focus on areas that it has not been focused on before. Most non-profit organizations are conditioned to do little capacity building and built to last thinking, so to think about streams of funding that not only support program and service delivery, but also address solutions, we must build infrastructures. Venture philanthropy emphasizes that capacity building is accomplished not only by money but also by a high level of strategic management assistance as well.

I'd like to point out two examples. Social Venture Partners is an organization in Seattle that has been replicated in about half a dozen cities. Social Venture Partners has 300 individuals who have contributed to a fund, and in addition, have agreed to be personally involved in the organizations they are supporting. In the greater Washington region, Mario Morino, a former technology and software executive, has created a fund with Steve Case and Raul Fernandez from Proxicom. Today the fund has in excess of \$30 million and will invest in a total of two non-profit organizations a year. These large, significant financial contributions are tied to strategic management advice and to benchmarks and outcomes. This suggests a very significant landscaping and screening process to understand what works. All these exciting ideas are based on something that I believe everyone in this room shares, and that is a very deep commitment to creating change that will have a powerful and enduring effect.

I would like to conclude with a few words about *The Cathedral Within*, the book that is in your tote bags. After doing this work for 15 years, I wanted to step back and think about how we create lasting and enduring change. As I sat on the shuttle to New York one day, I read an article on the dean of the Cathedral of St. John the Divine and decided, when I arrived, to divert my taxi so that I could visit the cathedral. I was stunned by the magnificence of the structure and became interested in the notion of cathedral building.

When we look around the global landscape and consider what is enduring, impressive and awe-inspiring, we find great cathedrals, many which took hundreds and hundreds of years to build, and many still standing 500 years later. As I thought about the ethic of the cathedral builders and its relevance to the work that each of us has set about, I visited many cathedrals, beginning with the National Cathedral in Washington and ending with a trip to the Cathedral of Milan in Italy. As I entered the Milan Cathedral, the second largest gothic cathedral in the world and one which took 513 years to build, I tried to understand the feeling that I believe is common to most of us upon entering these magnificent structures. I took a couple steps in, looked up and then gasped; it was somehow bigger and more magnificent than I had expected. Once my eyes adjusted to the light and I took a couple more steps forward, I tried to rationalize my experience: these are just bricks and stones and glass, but somehow, it amounts to much more than that; somehow, these parts have been transformed.

The cathedral in Milan was begun in 1330 and completed in 1843, which means that almost everyone who worked on it over the course of those 513 years could only be certain of one thing, that they would not see their work finished in their lifetime. This certainty did not detract from their dedication, commitment or craftsmanship, it actually enhanced it. They, like we, had a sense of being part of something larger than themselves, part of a community that shared a faith in what they were accomplishing, just as we have faith in what we are trying to accomplish. Whether the polls say our issues are popular or not, and whether our economy is roaring or stagnant, the faith we have in our commitment to reach out to one more organization or community and make a difference with the resources that we have is mirrored by the cathedral builders, who with infinite patience, built a magnificent structure, brick upon brick upon brick.

I'll leave you with a passage from someone who spoke about cathedral building far more eloquently than I could. Dr. Martin Luther King, just a month before he was assassinated gave a sermon at Ebenezer Baptist Church where he had preached all his life. He said that so many of us in life start out building temples: temples of character, temples of justice, temples of peace. And so often we don't finish them. Because life is like Schubert's Unfinished Symphony. At so many points we start, we try, we set out to build our various temples. And I guess one of the great agonies of life is that we are constantly trying to finish that which is unfinishable. Well, that is the story of life. And the thing that makes me happy is that I can hear a voice crying through the vista of time saying .It may not come today or it may not come tomorrow, but it is well that it is within thine heart.. It's well that you are trying, you may not see it, the dream may not be fulfilled, but it's just good that you have a desire to bring it into reality. It's well that it's in thine heart.. Thank you for having it within your hearts to be committed to the kind of work that you are doing here today.