

**PRIVATE PHILANTHROPY AND THE NEW NORMAL:  
REIMAGINING THE POTENTIAL OF A FOUNDATION  
AMBASSADOR JAMES A JOSEPH  
PRESIDENT EMERITUS  
COUNCIL ON FOUNDATIONS  
RICHMOND, VIRGINIA  
SEPTEMBER 6, 2016**

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I want first to congratulate you on the selection of Mark Constantine as the new executive of your foundation. I have known and worked with Mark for a number of years and I have always been impressed by his unique ability to combine a creative mind with a caring spirit. He has joined you at a time when both our country and many of our communities are badly divided and many of our institutions unable or unwilling to tackle the great issues that challenge our national commitment to forming a more perfect union. It is a time when there is great need for leaders in all three sectors of our democracy who understand and can make the case that diversity need not divide, that pluralism rightly understood and rightly practiced is a benefit and not a burden, and that the fear of difference is a fear of the future.

Yet, diversity and inclusion are not enough unless they lead to initiatives that promote and provide equity. I learned a long time ago that diversity ensures that people who look like me are in the room and inclusion means that we are around the table where decisions are being made, but we do not have equity until we have the opportunity to make the table, or even better, to own the table. Equity has to do with not just the sharing of the the rights and duties of citizenship, but the sharing of the benefits as well.

There are many people in many communities who have decided that our divisions are so deep and the issues surrounding equity so intense that they can only be resolved by large institutions with large resources. I can tell you from my own experience, however, that much of the new pessimism is unwarranted and misdirected. I started out what has been a long engagement with private philanthropy as the CEO of a small family foundation that was willing to tackle big issues. As a result, its footprint can be found on many important ideas and institutions. It was at a time when many in my generation were beginning to affirm that small is beautiful, but I learned additionally that small can also be effective if there is a willingness to take risk and the imagination to effectively deploy resources. And that is why I have chosen as my topic for tonight “Philanthropy and the new Normal; Reimagining the Potential of the Private Foundation.”

Peter Drucker, the great management guru once wrote that the great danger in times of turbulence is often not so much the turbulence as it is the tendency to try to solve today’s problems using yesterday’s logic. That is an especially appropriate caution for philanthropy. But before I suggest a framework for re-thinking and multiplying the potential of a foundation I want to say a word about the social and economic

landscape that now shapes the environment in which private philanthropy seeks to provide a public benefit.

We are meeting at a time in which the fabric of public life is being torn apart by passions that seem to be almost out of control. One of the worse mistakes we could make would be to misunderstand what divides us and to offer an inappropriate diagnosis of the pathologies that disturb us. I am increasingly persuaded that among the emotions on display there are three, anxiety, alienation and adversity, that can be addressed rationally and with less rancor. But we will need first to recognize the distinctiveness of each in order to develop strategies to respond to the cause of each.

Think first of the anxiety so many people feel. There have been moments of great anxiety before. The period after 9/11 was such a moment and the period after the assassinations of Martin Luther King and John F. Kennedy was such a moment. But psychologists have called the present moment a period of free-floating anxiety in which the anxiety we feel is not the result of one event, but a confluence of events. It runs the gamut from anxiety about the lingering effects of the economic free fall we faced a few years ago to anxiety about what violence and the threat of violence are doing to our soul as a people; from anxiety about a new meanness in public life to anxiety about the increasing tendency to use the public square to deny or denounce the very idea of a public good. Many people have become so anxious that they are anxious about the fact they are anxious.

Occasionally, there are those moments when our spirits are uplifted and the dream of a more perfect union seems within our reach. Those are the moments when we remember Martin Luther King's admonition to respect the humanity of the adversary; when we romanticize Nelson Mandela's call for forgiveness and reconciliation; and when we revel in what President Obama called amazing grace, the spirit we saw in South Carolina when a horrendous act of violence hoping to cause a race war had the opposite effect.

But while public acts of forgiveness and grace may be seductive, empowering the victim of violence and disarming the perpetrator, they are rather limited unless they lead to a larger social transformation that involves individual, political and economic change. And that is why Desmond Tutu and others in South Africa who surprised the world with their willingness to forgive now speak of the fundamental deficit in their democracy as the failure to develop a path for economic reconciliation.

So if the first element of the emotion we see and feel is anxiety, the second is alienation, with far too many people of color feeling disconnected, disrespected and disregarded. One of the ironies of our time is that the more interdependent we become the more people are turning inward to smaller communities of meaning and memory. Some observers see this as reason for despair, but it may be that coming together to affirm their history and heritage may be the first stage in the search for common ground. It may be that this is an opportunity to build and rebuild new forms of community where cohesion comes not from a shared place but a shared sense of belonging.

As I travel around the world, I hear more and more people saying that until there is respect for their primary community of history and heritage they will find it difficult to fully embrace the larger community in which they are being asked to function.

However, it is not just the alienation of population groups from each other that constitutes the new normal. It is also the alienation from our own past. I learned over the years that enduring reconciliation is not possible without eliminating historical illusions, dismantling deceptions and coming to grips with miss-teachings. The poet William Wordsworth put it best when he wrote that the only thing worse than being untaught is to be mis-taught. I also learned in South Africa how public symbols affect public memory and how they can be used to shape a sense of belonging or alternatively foster a feeling of alienation.

There is much made of the meanness tearing at the fabric of both our community and national life. But the anger we see is often the result of not just anxiety or alienation, but adversity as well. Disaster is also a part of the new normal. Many people in many parts of our country and many parts of our world live with either the consequence of a prior adversity or walk in the shadows in anticipation of a future adversity. Some live in a constant rage about what went wrong in a past disaster. They are the ones more likely to search for scapegoats rather than solutions.

Yet, there have always been leaders like my father in rural Louisiana who liked to say that the soul would have no rainbows, had the eyes no tears. He and the people he served were defiant rather than defeated, resilient rather than resigned, because they looked at adversity and saw not so much the tears as the potential for rainbows.

#### *Making a community more of a community*

Anxiety, alienation and adversity are all part of the new normal, so let me shift gears and say a word about the potential of the private foundation in helping to make a community more of a community.

For years, I have been advocating a form of intellectual engagement with philanthropy that looks critically at the macro-organizational model of a foundation as simply a custodian of financial capital deployed through grantmaking. It is now time to take the next step and begin the examination of how a foundation can use not just conventional assets, but the other forms of capital that are so easily overlooked or, at best, underutilized. I have been pleased to see more foundations addressing the long-term disconnect between grantmaking and investment functions. But I am increasingly persuaded that the foundations with the most impact in the future may well be those that integrate into their operating plans, goals and strategies the use of at least five forms of capital at their disposal. After hearing me make this argument, my friends at MDC, the successor to the North Carolina Fund, have started to call this the SMIRF plan, in that it calls for an integrated use of social, moral, intellectual, reputational and, of course, financial capital for making a community more of a community. Let me thus summarize the potential of each of these.

#### *Social Capital*

The first is social capital. Robert Putnam popularized this concept and we now use it frequently to refer to the idea of networks, social trust and voluntary cooperation for mutual benefit. Local foundations are ideally suited to broker partnerships that

enhance the capacity to serve a public good. They can be good partners with national foundations because they bring proximity, local knowledge, and local trust to a collaboration. They are great partners with local governments because they can take risks governments cannot take. They can be good partners with religious institutions because together they often serve as the conscience of civil society.

We can also use social capital to work with the new groups who are enriching our civic culture. 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 life. They should be embraced as neighbors who have been shaped by their own culture of giving and helping who have the potential to help enlarge the supply side of philanthropy rather than being associated and stereotyped only with the demand side. But before we can fully engage them in a common effort to build and rebuild community, they must be made to feel that they belong, that their traditions are respected and their contributions recognized.

When we talk about equity and overcoming what divides us, we may need to reimagine and redefine what it means to form a more perfect union. Drucker was right about the need for a new logic with a new narrative. The old myth of the melting pot with its emphasis on homogenizing cultural and racial differences to fit our comfort zone does not fully fit today's reality. The concept of community that is most appropriate for today's reality was best expressed by the black mystic, theologian and poet Howard Thurman, who was a mentor to Martin Luther King. Dr. Thurman was fond of saying "I want to be me without making it difficult for you to be you." That's it. Can you imagine how different our world would be if more of us could say "I want to be an American without making it difficult for an African to be an African, an Asian to be an Asian or a Latin American to be a Latin American?"

Can you imagine how different our communities would be if more Christians were able to say "I want to be a Christian without making it difficult for a Jew to be a Jew, a Muslim to be a Muslim or a Buddhist to be a Buddhist?" Can you imagine what a powerful message this would be if we could use our social capital to infuse it into the elevator speech of all those who seek to make a community more of a community?

### *Moral Capital*

The second asset of a foundation in a local community is moral capital. The private foundation is a custodian of values as well as resources. It is in a great position to help inform, enrich and enlarge the idea of citizenship, the notion that we have obligations to and for each other. We will also need to remind ourselves and our colleagues in philanthropy that while charity is good, justice is better. I like to use the story of the Good Samaritan to make that point. I ask you to imagine that a traveler finds an injured man on the side of the road and stops to provide help, but as he repeats that trip he constantly finds someone injured in the same spot and each time he stops to provide aid. While we applaud him for his charitable spirit, should he not at some point ask who has responsibility for policing the road? His impulse for charity should invariably lead to a more strategic intervention that seeks to eliminate the cause rather than simply ameliorating consequences. Many institutions are good at providing charity, but foundations can often be most effective when promoting justice.

While I emphasize the importance of moral capital, we do not necessarily need moral language to achieve moral ends. Nowhere is this more obvious than in how we address issues of equity and inclusion. The authors of the book *The Spirit Level* documented how more equal societies almost always do better than less equal societies.

In other words, there is now empirical evidence from comparative national research that inequality is socially corrosive, that it damages social relationships, and that measures of trust and social cohesion are higher and violence is lower in more equal societies. That is the message we must convey as we remind our fellow citizens of our obligations to each other. We have an opportunity to change the narrative from simply a moral imperative to enlightened self-interest. I learned a long time ago that the language of morality can sometimes be a deterrent to achieving moral ends. Enlightened self-interest sells in many instances where public interest does not.

### *Intellectual Capital*

Another asset of a local foundation that is often underutilized is its intellectual capital. Private foundations can help civic activist in a community ground their passion into persuasive evidence by providing not just networks but knowledge. I found through my work as chair of the Louisiana Disaster Recovery Foundation, established by Governor Blanco in the aftermath of Katrina, that one of the most important assets we provided was intellectual capital that strengthened the capacity of those formerly marginalized to participate in deliberations about their future.

A foundation can support studies and provide objective data that can inform and rich the public discourse without identifying with partisan political advocacy or promoting partisan political action. At the Heron Foundation on whose board I sit, we take the potential impact of intellectual capital so seriously that we now have a Vice President for Knowledge and Influence. We are not a very large foundation, but we see this as an area in which we can have great influence.

Using a foundation's intellectual capital effectively can also apply to the development of wise and effective public policy. But we will need to shed our inherited fear of public life, especially the idea that we must restrict our presence to promoting and facilitating charity rather than engaging in philanthropy that informs or enriches public policy.

### *Reputational capital*

A fourth asset of a local foundation planning and acting strategically is a form of capital we rarely think about and is one of the most overlooked and underutilized. It is what Robert Putnam has called reputational capital. Like conventional capital for conventional borrowers, a local foundation can use its reputational capital as a kind of collateral for those whose formal credentials under state their potential and reliability. An endorsement through a grant, a loan, technical assistance or even high level partnerships 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 a

foundation they are very likely to acquire an additional incentive to perform responsibly. Even a small grant can serve as a good housekeeping seal of approval that can often lead to larger public acceptance and support.

### Financial Capital

Finally, there is financial capital, with more and more foundations seeking to go beyond grant making. But if every foundation in the United States spent down its endowment, we would still have less than one percent of assets under management. So foundations need to try and influence big, muscular companies and smaller players as well as nonprofits. It is important that we examine whether a foundation is making money on the very things that may be undermining its mission. We at Heron have been provocative in this regard in suggesting that it would be a breach of our fiduciary duty of obedience to mission.

When we took the first step, we examined our holdings and asked what do we have under investment. How do our holdings affect our mission to help people to help themselves out of poverty? We decided that we should incentivize and try to create good behavior within corporations and financial institutions.

So there you have it. Throughout the world, we see examples of foundations, small and large, who understand that their uniqueness lies in the ability go beyond grantmaking. So what I have been trying to say is that your community can benefit greatly when you intentionally develop and deploy the full tool kit at your disposal. Strategic planning should include not just how and to whom you make grants, but how you use your social, moral, intellectual and reputational capital as well. Many years ago, I used this idea as a framework for strategic planning when I was head of the Cummins Foundation and I am pleased that it has also helped inform the strategic plan of the H.B. Heron Foundation and the mission of MDC in their work with newly developing foundations.

Over the last half century, I have ended almost every message of this sort by trying to place what you do and who you are in a deeper perspective than simply the practical and most visible aspects of your work. And there is no better way to remind you of the importance and potential of a foundation and those who lead than to quote Vaclav Havel who once wrote that I am not an optimist because I do not believe that everything ends well. I am not a pessimist because I do not believe that every things ends badly, but I could not accomplish anything if I did not have hope within me; for the gift of hope is as big a gift as the gift of life itself.

And that is the sum of my message tonight, when foundations provide help they provide hope, and the gift of hope is as big a gift as the gift of life itself. Thank you and good luck.

*(Ambassador James A. Joseph was appointed President Emeritus of the Council on Foundations in 1995 after almost 14 years as Chief Executive Officer. He has served in senior executive or advisory positions for four United States presidents, including Under Secretary of the Interior for President Jimmy Carter and U.S. Ambassador to South Africa for President William Clinton. He has also served as president of the Cummins Foundation and taught at Duke, Yale and Claremont)*