

Impact 2012:

What the experts say about making a difference in the new year

INTRODUCTION

For donors who want to make a difference, the new year will bring a wide range of challenges. But it will also offer unique opportunities for impact. To help philanthropists pursue their goals more strategically in 2012, Arabella Advisors gathered key insights from leaders we know. Former Secretary of State Madeleine Albright, Secretary of Agriculture Tom Vilsack, and 11 other prominent leaders from the public, nonprofit, and for-profit sectors offered their ideas. Among their advice:

“Philanthropy must play a more active role in job creation.”

“Smart philanthropy means the private sector shouldn’t clean up after the public sector — we should work together.”

“The notion of trade-offs between economic performance and financial returns is quite simply a notion of the twentieth century.”

Read on to explore ideas from each of the following leaders:

ELLEN ALBERDING · *President, The Joyce Foundation*

MADELEINE ALBRIGHT · *Former Secretary of State of the United States*

HENRY BERMAN · *CEO, Association of Small Foundations*

ELLIOTT BISNOW · *Founder and CEO, Summit Series*

& MARGOT MACHOL BISNOW · *Former Chief of Staff, HELP Commission*

JED EMERSON · *Co-author, Impact Investing: Transforming How We Make Money and Change the World*

ORAN HESTERMAN · *President and CEO, Fair Food Network*

CARLA JAVITS · *President, REDF*

MIKE KEISER · *Philanthropist and Owner of Bandon Dunes Golf Resort*

DOUGLAS OBERHELMAN · *CEO, Caterpillar Inc.*

ADELE SIMMONS · *Vice-Chair, Metropolis Strategies*

TOM VILSACK · *Secretary of Agriculture of the United States*

JANE WALES · *Vice President, Philanthropy and Society Director, Aspen Institute;
Founder and CEO, Global Philanthropy Forum*

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Ellen S. Alberding is President and a board member of the Joyce Foundation, which has assets of \$800 million and makes grants of \$40 million a year for projects to improve the quality of life in the Great Lakes region. Prior to joining the Foundation in 1990, she was Associate Executive Director at the Chicago Children's Museum. She holds a bachelor's degree in English from Brown University and a master's degree in finance and marketing from Kellogg Graduate School of Management at Northwestern University.



ELLEN ALBERDING

In 2012, foundations will have an obligation to respond to the immediate challenges faced by the communities we serve. We must find the right balance between the development of new ideas or solutions that will take time to develop, and addressing short-term and critical needs.

When deciding what to fund, foundations should ask a few basic questions: First, what does the research tell us about an issue? Second, are there policy opportunities? Third, what can we uniquely contribute? And fourth, are there excellent grantee partners to work with?

But there is a generational shift that is important for traditional foundations to know and understand. Many younger people have a different view of institutions and how to interact with institutions. They aren't following traditional paths, yet they are generating tremendous energy and new ideas. Foundations need to be open to hearing these new ideas, and to communicating in ways that will be heard by the people shaping them. We also need to be open to funding new ventures that take a fresh approach to problem-solving. There is risk involved, but there is a far bigger risk in refusing to bet on the future.

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Madeleine Albright was the 64th Secretary of State of the United States. She presently serves as Chairman of the National Democratic Institute, which promotes openness and accountability in government by building political and civic organizations, safeguarding elections, and promoting citizen participation. She received a BA with Honors from Wellesley College, and master's and doctorate degrees from Columbia University's Department of Public Law and Government



MADELEINE ALBRIGHT

The remarkable events that we now call the Arab Spring have been inspiring, confusing, tumultuous and sometimes violent. They signify dramatically the simultaneous demands for both economic progress and democracy that we witnessed in Eastern Europe more than 20 years ago. While these events in the Arab world caught the international community largely by surprise, the National Democratic Institute (NDI), which I chair, has been supporting political and civic reformers in the region for 15 years. These reformers could be found in women's rights organizations, political parties, election monitoring groups, parliaments and governments. Through nonprofit, nongovernmental organizations like NDI, which has a presence in countries throughout the Middle East, we now have a historic opportunity, indeed responsibility, to help nurture the development of emerging institutions that can respond to the hopes and aspirations of the people in the region. This effort is the best way to guard against extremism, and to ensure peace, security and prosperity. As Secretary of State Hillary Clinton said in a Nov. 7 speech at NDI, "With so much that can go wrong, and so much that can go right, support for emerging Arab democracies is an investment we cannot afford not to make."

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Henry Berman is the CEO of the Association of Small Foundations, which enhances the power of philanthropy by providing donors, trustees, and professionals with peer learning opportunities, resources, and a collective voice in and beyond the philanthropic community. He holds a bachelor of science in communications from Ithaca College, a master's and doctorate in education from Boston University, and a certificate in business and management from Harvard University Extension School.



HENRY BERMAN

Conversations about philanthropic impact often start with the same questions: Should donors think big or small? Should they think locally or globally? Instead, what if we start here: Are we really thinking? How often do we give because a friend asked, or because we've always supported an organization, or because "of course" we give to our alma mater? But are we truly thinking when we make these gifts? Are we really considering our passions and supporting them thoughtfully? Are we putting the same thinking and energy into where we give (and the expected return on investment) as we put into making the money that funds our giving?

Meaningful decisions are never easy, and neither is meaningful giving. It requires not just an understanding of the issues, but also of the consequences of our actions. As with our families and careers, philanthropy often involves tough choices and difficult conversations. Let's apply the same care and diligence to our giving as we do in the rest of our lives.

Let's pursue our passions. Let's dare to try to make a difference. And let's imagine the impact our critical thinking can have on our giving.

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Elliott Bisnow is the founder and CEO of a growing entrepreneurial lab called Summit Series. Named the “Davos of Generation Y” by Forbes magazine and “a gift to the United States and the world” by President Clinton, Summit Series draws together the world’s doers and dreamers in an annual event focused on world change. Prior to founding Summit Series, Elliott co-founded Bisnow Media Corporation with his dad, Mark.



Margot Machol Bisnow was Chief of Staff of the HELP Commission, a bipartisan Congressional commission that recommended changes in U.S. foreign assistance programs. She was also the first Chief of Staff of the Millennium Challenge Corporation.



ELLIOTT BISNOW & MARGOT MACHOL BISNOW

As unemployment hovers around 9% and public deficits loom larger, many donors feel the need to turn inward. They justifiably wonder: Why focus our efforts abroad when so much needs to be done at home?

The truth, however, is that the need for global giving will be just as great in 2012 as it ever has been, if not greater. There is a better question that philanthropists should be asking: How can global giving become smarter, more transparent, and more sustainable?

Young entrepreneurs will be at the core of the answer. They know how to use their ideas, energy, and creativity to create opportunity at home. But they also aspire to use their talents and resources to address pressing challenges around the world, where the burdens of disease, poverty and corruption threaten millions, and the craving for economic and political opportunity looms large.

In 2012, philanthropy in this country must support young entrepreneurs as they take their ideas and energy global. Philanthropy can help scale a culture of entrepreneurship by investing in training and educational resources and nurturing the start-up ventures that leverage the energy of young entrepreneurs around the world.

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Jed Emerson is Executive Vice President for Strategic Development at ImpactAssets. He is a widely recognized international thought leader on impact investing, performance metrics, and sustainable finance. As originator of the term “blended value,” he has spent over two decades exploring how capital investment strategies may be executed to create multiple returns.



JED EMERSON

In a time of global economic challenges and uncertainty, donors must focus upon creating the greatest impact possible from all their assets. And total portfolio management is one way to do this.

The idea of total portfolio management is premised upon the notion that all capital should be allocated to maximize performance — and that performance has economic, social, and environmental components. Rather than thinking of one’s assets as resting in two buckets — one philanthropic and the other market-rate — asset owners may draw from a wide tool kit of instruments to achieve both the social and financial goals they seek.

This toolkit includes grants, recoverable grants, below market rate loans, direct equity and debt, as well as sustainable public equity investing. Each and all of these capital instruments may be structured in a coordinated way to maximize impact and total portfolio performance in pursuit of a transformed world.

The notion of trade-offs between economic performance and financial return is quite simply a notion of the twentieth century. Twenty-first century fiduciaries can create real, sustained impact across a host of areas of interest and concern.

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Oran B. Hesterman is President and Chief Executive Officer of the Fair Food Network and is a national leader in sustainable agriculture and food systems. His experience in the philanthropic sector includes more than 15 years as program director for Food Systems at the W.K. Kellogg Foundation and as the inaugural president of Fair Food Foundation. He earned his bachelor's and master's degrees from the University of California, Davis, and his doctorate in agronomy and business administration from the University of Minnesota, St. Paul.



ORAN B. HESTERMAN

The food system, while ‘too important to fail,’ is failing many of us. One out of seven people in the United States is on food assistance; two out of three are overweight or obese. On the positive side, the number of farmers’ markets increased by 17% in the last year, and USDA just reported that local food is now a \$5 billion business in the United States.

2012 is the year for philanthropy to take bold and focused action to address the challenges in our broken food system. How do we do it?

- By informing policy change in a Farm Bill reauthorization year, emphasizing community-based experience and targeting policies concerning healthy food finance, healthy food incentives, and the creation of a regional food infrastructure.
- By supporting organizations in the nonprofit sector engaged with institutions such as school food service, college cafeterias, and hospitals prepared to redesign their food systems.

We are in a critical moment when philanthropy can make a difference if we harness our voices and resources to partner with the private and nonprofit sectors to promote a fair food system in which everyone has access to the healthy, fresh, and sustainably grown food they need and deserve.

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Carla Javits is the President of REDF. Under her leadership, REDF helps to create and grow 'double bottom line' enterprises that earn income while employing people with high barriers. She holds both a Masters of Public Policy and a BA from the University of California, Berkeley, and an AA in Hotel and Restaurant Management from San Francisco City College.



CARLA JAVITS

As government on the federal, state, and local levels continues to cut back, and nonprofits exert maximum creative effort to serve their communities, philanthropy has an unusual opportunity to demonstrate leadership. This is not a time for in-house strategizing or introspection. It is a time for foundations to fully engage with the communities they serve. They must ask challenging questions not only of the nonprofits they fund but also of their partners elsewhere in philanthropy and in government. Foundations must help their boards of directors understand the changing landscape and the instrumental, galvanizing role that they can play.

Philanthropy can help nonprofits, government, and the public come to grips with the dramatic changes in government funding underway by:

- Supporting the technical assistance and bridge-funding required to change funding models, structures, and programs;
- Helping government understand the implications of cutbacks and mitigate the most damaging results;
- Informing the business community so that they are aware of repercussions in their communities;
- Driving nonprofits to clarify their value propositions, measure the result of their work, and maximize the efficiency of their operations and the results of their work; and
- Funding educational and advocacy efforts that inform the public debate.

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Michael Keiser is a philanthropist and owner of Bandon Dunes Golf Resort.



MICHAEL KEISER

46.2 million Americans today live below the poverty line. That is more than at any time since the Census Bureau began collecting this data. Americans are struggling to put food on the table, a roof over their head, a coat on their back, shoes on their children. Moreover, incomes for middle America are declining, college graduates are struggling to find jobs, state and federal support for human services is declining, and politicians seem incapable of coming together to address these problems. The role of private philanthropy is more important than ever.

Caring for the world's poor is important, but in these times, philanthropists should focus closer to home. The need here, at the moment, is so acute. Even so, according to Giving USA, gifts to organizations that support basic human needs fell over 6% while overall giving rose. Donors should work with organizations like the Salvation Army, Catholic Charities and local human service organizations to build the capacity of food pantries, homeless shelters, and community organizations to serve those most in need in our own backyard.

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Douglas R. Oberhelman is Chairman and Chief Executive Officer of Caterpillar Inc. He also is a Director for the boards of Eli Lilly and Company, the Association of Equipment Manufacturers, the National Association of Manufacturers, the Manufacturing Institute and the Wetlands America Trust. He is also a member of the Business Council and was recently named Chair of the Business Roundtable's International Engagement Committee. He has a bachelor's degree in finance from Millikin University.



DOUGLAS OBERHELMAN

Every day, news reports tell the story of government gridlock in the face of growing economic challenges. Some suggest that philanthropy should step in where the public sector has stepped out. But philanthropy cannot be the clean-up engine for governmental problems or mismanagement. And philanthropy itself isn't enough — we need to work together with a focus on smart philanthropy.

Smart investments in programs that have proven outcomes, along with robust collaboration with nonprofits, are the first step to promote real change in an environment of economic challenges and political gridlock.

In 2012, smart philanthropy should focus on root cause analysis and outcomes-based investing, and target areas such as science, technology, engineering and mathematics (STEM) education, basic human needs, and the environment. Smart philanthropy means the private sector shouldn't clean-up after the public sector — we should work together. Using the skills, talents and passion of our employees to bolster our financial investment, the private sector can be a vital partner to our communities.

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Adele Simmons is Vice-Chair of Metropolis Strategies, where she focuses on sustainability. She served as co-chair of the Chicago Climate Action Plan. She was President of the John D. and Catherine T. MacArthur Foundation for a decade, overseeing grants of over \$1.5 billion, including an annual \$25 million program for Chicago. Before joining the MacArthur Foundation, she was President of Hampshire College and taught at Princeton University.



ADELE SIMMONS

First, invest in great local organizations tackling global issues. Donors get to know the principals working in far-flung places and can get regular updates on project accomplishments or challenges. It's a "two-fer" for the donor — strengthening the global connections in your own backyard to support a more vibrant civil society community, and working on international challenges at the grassroots level.

Second, supporting small grassroots organizations has a huge impact. But it is impossible for donors to identify those organizations, and there are complex tax and legal issues involved. These groups are best identified by trusted intermediary groups such as the Global Fund for Women, Global Fund for Children, and Global Greengrants. These groups know how to leverage donor dollars and have meaningful impact.

Third, donors wishing to leverage government funds can team up in public-private partnerships with engaged nonprofit organizations. A collaborative team of city, county, state, federal, corporate, nonprofit, and labor groups has come together around the Chicago Climate Action Plan to focus efforts, resolve problems, and make the most of limited funding sources. The result is true progress.

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Tom Vilsack is the 30th Secretary of Agriculture of the United States. Prior to his appointment, he served two terms as the Governor of Iowa. He received a bachelor's degree from Hamilton College in 1972 and earned his law degree from Albany Law School in 1975.



TOM VILSACK

Given declining federal resources and increasing need, philanthropy must play a more active role in job creation, especially in rural America.

In the short term, philanthropy can assist grassroots efforts to create robust regional strategies for economic development. Right now many rural areas do not have the capacity to do the analysis and planning necessary for regional development based on local assets and utilizing best practices.

Another short-term strategy looks towards investing or lending for social infrastructure to create immediate and long-term jobs. USDA is looking at how we can use expertise in investments in rural infrastructure — such as schools, hospitals, and water systems — to make this type of investment more practical and low-risk for philanthropic bodies.

In the long term, national and regional foundations can play a critical role in assisting community foundations to keep more of the substantial wealth in rural America in the local regions. Increased value of agricultural land and development related to natural gas, coupled with aging rural populations and a continued outmigration of young people, is a formula for vast transitions of wealth from rural to urban areas in the coming years. With appropriate support, local community foundations can help preserve some of that wealth locally.

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Jane Wales is Vice President, Philanthropy and Society, of the Aspen Institute and Director of the Institute's Program on Philanthropy and Social Innovation. She is the Founder and CEO of the Global Philanthropy Forum, President and CEO of the World Affairs Council of Northern California, and host of the nationally syndicated National Public Radio interview show, "It's Your World". Previously, she served in the Clinton Administration as Special Assistant to the President and Senior Director of the National Security Council.



JANE WALES

Global Philanthropy Forum members define philanthropy broadly to include all private means of financing social change. From this perspective, the opportunities to contribute to the public good have rarely been so numerous. Their potential for transformational effect has rarely been so great. And the failure to seize them has rarely felt so consequential.

The instruments for financing change are many: strategic philanthropy, next generation microfinance, impact investing, social impact bonds, social enterprise, and more. Moreover, philanthropists can leverage both public dollars and corporate assets such as the R&D capacity, procurement strategies, or distribution networks of companies willing to put these capabilities to the service of social goals. This produces value for shareholders and stakeholders alike.

And while the largest private capital flows — foreign direct investment and diaspora remittances — have primarily commercial and familial benefits, they too can be harnessed in part to broader strategic purposes.

This is a moment of invention. In 2012, philanthropists will not only navigate this landscape, but also shape it.