

How Foundations Add Value & Imperatives for the Future

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It's a pleasure to be with you this morning as we gather for Nonprofit Day, often referred to as our sector's annual retreat. Consistent with this retreat theme, my remarks today are focused on examining the bigger picture, by reflecting both on the opportunities and challenges that lie ahead for all of us.

Before I proceed with my remarks, however, permit me to take a moment to offer a personal tribute to the organization that has brought us together today. My first exposure to CompassPoint, then the Support Center for Nonprofit Management, was exactly a decade ago when I was a Program Officer at The James Irvine Foundation. It is hard to believe that ten years have passed since that initial introduction to the organization. These ten years have been marked by significant changes in our sector, and I believe CompassPoint has served as a model for all of us about the need to adapt and evolve based on the external environment. The board and leadership of CompassPoint should be justifiably proud by what has been accomplished during these past 30 years, and we are fortunate in this community to have an organization as well-respected nationally and as effective as CompassPoint.

I'd like to add a few words about CompassPoint's leader, Jan Masaoka. I have had the great privilege of working with many nonprofit leaders over the years, and Jan stands out in particular for her directness and willingness to speak her mind. Those of us in

philanthropy are often shielded from the truth, which makes Jan's propensity to tell it as it is all the more valuable and rare. Please join me in saluting Jan, and her colleagues, as well as those who preceded them, for the work they have done to bring CompassPoint to where it is today.

Jan described my charge this morning as reflecting on some of the larger forces at work that affect our efforts in the nonprofit and philanthropic sectors, and she also asked if I might, in the process, shed some light on how we in philanthropy approach our work. I'll try to do both, by first describing how I think about the Irvine Foundation's obligations as a philanthropic institution, and then use that as a basis for my subsequent observations about some of the challenges that face our sector today.

By way of background, The James Irvine Foundation is one of the state's oldest philanthropies, created in 1937 by the agricultural pioneer James Irvine. We are the largest multi-purpose foundation dedicated exclusively to California, and today we have assets of approximately \$1.5 billion and will make grants this year totaling about \$61 million. I refer you to our website at www.irvine.org for more details about our work, including our grantmaking priorities.

How Foundations Add Value

There is wisdom in the adage that "when you have seen one foundation, you have seen one foundation." As a result, let me stipulate that my beliefs about foundation work are inherently personal in nature, and I don't stand before you as a representative for the philanthropic sector as a whole. My comments reflect how we think about our work at The James Irvine Foundation, offering a glimpse of the important and defining characteristics that inform the work of one major private foundation in California.

At the heart of my beliefs about foundations is that they are fundamentally privileged institutions that exist primarily to serve the public. Accordingly, they have a profound obligation to be effective stewards of their resources as they deliver on their responsibility and potential. With the ability to deploy significant resources, the access to almost anyone they wish, and the obligation to benefit the public good inherent in the tax break that private foundations receive comes the accompanying responsibility to serve

the community wisely and to be strategic about their philanthropy. It's this underlying philosophy that leads me to some overarching observations about how I believe a place like the James Irvine Foundation can and, I hope, does add value as a philanthropic institution. These observations in no way diminish what I believe is the greatest way we add value—by giving money—but I believe we can and should do more as philanthropic institutions.

In my mind, there are three ways foundations add value:

The first way derives from foundations' ability to be effective **facilitators** of people, ideas, and institutions. As facilitators, we should strive to make others' work more manageable or easier to carry out, and certainly providing financial resources can have this effect. But, in addition, we need to provide our resources in ways that facilitate rather than complicate or compromise the work of our nonprofit partners.

A facilitation approach can be in contrast to a more directive approach, which is a trap that foundations can easily fall into. Given that they have the money and that they often have little incentive to seek genuine feedback, foundations can very easily begin to drive the agenda rather than facilitate the work of their partners toward a shared agenda. It is our obligation to be clear about what we seek to achieve with our resources, but once that is done, then it is incumbent on us to create open and accessible processes by which nonprofit organizations aligned with those purposes can seek our funds. Once we have made a grant, we should then create an environment that fosters genuine partnership between our partners and us that demonstrates our commitment to promoting their success, and that seeks to learn alongside our partners. A foundation's work with its partners should be characterized by a respectful, supportive, and facilitative tone that acknowledges that we in the foundation field don't have all the answers and have much to learn.

Taking a facilitative approach as a foundation does not mean we can't have our own ideas; indeed, like any good institution, foundations must be strategic, focused, and clear about what they seek to achieve. But even the process of determining a foundation's agenda can and should be informed significantly by a deep and authentic understanding

of the environment in which we do our work, and that begins by identifying board members and key staff who bring to their roles a genuine connection to the communities the foundation seeks to serve.

The second way foundations add value is derived from a foundation's ability to have access to some of the most creative and thoughtful people in our society. With this comes an obligation to play an effective role as a **synthesizer** of ideas rather than being tempted to be the sole generator of ideas. Foundations have capacity to connect people and institutions, to broker relationships, and to convene parties around common interests. A synthesizer is one who pulls together seemingly disparate strands and strives to make some sense of it. Indeed, among the privileges of our work is the ability to access the very best thinkers, leaders, and doers; as a result, we should constantly strive to find ways to make sense of the various perspectives and approaches we are exposed to. Moreover, in a society that can be so polarized and divided on some of the big issues facing us, and where the "center" position is often lost in the process, foundations can—consistent with their values, of course—play an important role in being an honest and neutral broker and in providing a safe space for people of varied perspectives to come together to identify areas of common concern.

I often describe foundations as institutions with a "birds-eye" view of the trends and forces at work in our sector, so we should take seriously our obligation not only to make grants to individual organizations but also to consider explicitly how we might help to advance a field of work or address a seemingly intractable problem by complementing our grant support with other activities that call on this synthesizing capacity.

The third way foundations can add value is by **consciously seeking to learn** from their work, by actively sharing those lessons broadly, and by ensuring that what we learn continues to inform ways to improve all of our work on an ongoing basis. Again, with the kind of access that foundations have combined with the resources at their disposal, it seems a huge missed opportunity to not invest the requisite energy in formulating a learning agenda. Hand in hand with a commitment to learning has to be a commitment to communicate broadly what has been learned. Foundations have certainly made great

strides in the past ten to fifteen years with regard to their communications work, and I believe that more can be done within our sector, and certainly at our own foundation, to capture what we are learning from our work and to share those lessons in ways that are accessible and helpful to others.

As part of this commitment to learning, we also have to demonstrate greater comfort talking about when we don't succeed as we had hoped. In my years working at a foundation, I have been amazed by how little we share lessons learned from either our failures or even those times when our work didn't unfold as anticipated. There are probably numerous reasons for this: concern about sharing bad news with the board; concern about making the foundation's grantees look bad if we highlight certain projects as falling short; and concern about exposing weaknesses in the foundation's strategy or execution of that strategy. In my view, none of these are legitimate reasons that should undermine a concerted effort to share what we learn. Even where we fall short or just plain fail, there is something to be gained that might help others in the future.

In reflecting on these three ways that foundations can add value: first, facilitating and not directing the work of their partners; second, synthesizing information; and third, dedicating themselves to a learning agenda, it occurs to me that the great challenge for foundations is that these approaches must necessarily be both self-imposed and self-policed. No one on the outside of our institutions will hold us to these standards, but I submit they are important standards to hold ourselves to if we seek to maximize our contribution as philanthropic entities.

Imperatives for the Future

Having considered the ways we at Irvine think about adding value, let me highlight just a few of the imperatives for the nonprofit sector today. I offer the following four factors as critical for our sector's success in the future:

1. Growing, nurturing and sustaining leaders for the sector

I have become steadily persuaded that this is one of the most important challenges and opportunities we have to embrace as we look at the future. Consider the context: demographic change on a scale that is unprecedented; studies by groups like

CompassPoint that show that executive director burnout is rampant; ongoing funding challenges that make leadership work in this sector more difficult and that focus our sector's chief executives on fundraising more and more; and, with a few exceptions such as Diana Aviv, whom you will hear from later today, a lack of visible, high-level leadership across the sector speaking to the values and principles that bind us together.

This background suggests that a dual-pronged focus on nurturing tomorrow's leaders for our sector, at the same time as we devote attention to sustaining and supporting today's leaders, is absolutely critical. At Irvine, we are trying to do our part. We are about to initiate a pilot program called the Leadership Advancement Fund that will support selected leaders of Irvine grantee organizations. The purpose of the Irvine Leadership Advancement Fund is to enhance the organizational effectiveness of selected grantees by building the capacity of their leaders. We will focus on executive directors poised to lead their organizations to the next stage of growth and development. Our theory is that by focusing on the individual development needs of the executive director and by recognizing that leader's pivotal role in creating organizational change, we can not only invest in leaders, but also enhance the impact and effectiveness of our grantees.

So, what can you do? Ensure that professional development is not a discretionary item in your budgets and that it is protected as a fundamental cost of doing business. Help to educate your funders about the need to support explicit leadership development activities at your organizations. Work consciously to build mentorship opportunities within your organizations for up-and-coming leaders who have demonstrated potential and who are dedicated to the work of our sector. Consider how your organization can contribute to a sector-wide commitment to growing, nurturing, and sustaining our leaders of today and tomorrow, which if left unattended, could have disastrous consequences for our sector.

2. Understanding and marshalling the power of technology

While there have been remarkable technological advances in the past decade alone, I would submit that we have only begun to understand the impact of these new technologies on the work of the social sector. I would never hold myself out as an expert in this area; indeed, many of you in this room know much more about technology and its

potential application to our sector's work, but what I am suggesting is that this is an area worthy of further exploration by all of us.

A few years ago, Howard Rheingold wrote an influential book, *Smart Mobs*, in which he described the power of mobile communications technology, and I would commend Rheingold's work to you if you are not familiar with it. In *Smart Mobs*, Rheingold writes: "Location-sensing wireless organizers, wireless networks, and community supercomputing collectives all have one thing in common: They enable people to act together in new ways and in situations where collective action was not possible before."

I don't have time today to share some the powerful examples that Rheingold cites demonstrating how mobile technology can have both beneficial and deleterious impact, but I think he's on to something when you consider how important collective action, community organizing, and direct advocacy have been to the nonprofit sector's success in the past. We have all read about the effectiveness of various internet campaigns to mobilize citizens to action. We also see how these tools and technologies can serve to widen and deepen the circle of participants. Our challenge, it seems, remains ensuring that we devote the necessary time and attention to understanding thoroughly how technology can play a useful role in helping us to advance our organization's missions and enhance our ability to serve our constituents.

3. Embracing uncertainty and ambiguity

The late John Gardner, one of the great thinkers and writers about the nonprofit sector with his range of experience as a cabinet secretary, foundation president, founder of Independent Sector, and scholar, wrote over 30 years ago in his wonderful book, *Self Renewal*, about the value of maintaining a "tolerance for ambiguity". When I reflect on the work of our foundation, and certainly the programs we are honored to support, such a tolerance for ambiguity is a central component for all of us who labor in this complex and ever-shifting sector.

This need was heightened for me recently when I had the privilege of sitting in a session conducted by the Institute for the Future, which for over 30 years has been developing Ten Year Forecasts that seek to preview the forces and trends that will be at work in the

future. In hearing a presentation about this year's edition of the Ten Year Forecast, at the center of the presenter's observations was an acronym known as VUCA. Coined by the U.S. Military, VUCA is an acronym for "volatile, uncertain, complex and ambiguous" and was used by the Institute for the Future to describe the world in which we live today. At the heart of their forecast was the admonition that we need to embrace this VUCA world in which we live.

I believe that our sector's future success will be directly linked to our capacity to accept, rather than to resist, the VUCA world or, as John Gardner would say, to demonstrate a "tolerance for ambiguity." Rather than seeing VUCA as a negative, we should embrace approaches that help us to thrive in such a shifting environment: concepts such as flexibility, openness, diversity, and creativity. We must continue to be rigorous about our planning and remain strategic and focused, but we also have to remain open to the possibility of revisiting our approach in view of a volatile, uncertain, complex, and ambiguous environment. And that leads to the fourth, and final, factor that I think we should remain attentive to.

4. Encouraging risk-taking and innovation

While the challenges that we face each day may seem immense and often give us pause, we must remember that our sector has been the seedbed of innovation and creativity, and we must remain committed to continuing that tradition. For their part, foundations need to realize the important role they can play in providing unrestricted capital to support new and creative approaches, even when it is not clear whether those approaches will be successful.

I sometimes worry today that an excessive emphasis on measurement, impact, and results can at times eclipse the more nuanced work of our sector and oversimplify our efforts. Foundations in particular have the opportunity to take risks, foster innovation, explore novel ideas and approaches, and—not insignificantly—fail without too much downside. In doing so, we take leaps of faith and pursue untreaded paths, but as we aim for clarity, identify targets, and seek to measure our impact, we must do so in a way that stimulates, and not stifles, creativity, and that fosters, and not discourages, risk-taking. While it is

both easy and tempting to focus on those issues and areas that are most easily measured, we know too well that doing so can lead us to ignore—at great peril—the more intractable and challenging issues facing our communities.

A Closing Thought

Let me close with a final thought: I suspect that while there is great diversity represented in the room today, one common thread binds us together: our commitment to service and our desire to make our world a better place in ways small and large. There is great power in that collective aspiration, and I would urge all of us to ensure we devote the time, as we are doing today, to take a step back from the day-to-day realities of our work and to consider how we can learn, how we can improve, and how we can come together with others who share our purposes to make a greater difference. In that spirit, I leave you with the following:

In 1966, the late Robert Kennedy delivered an address to a group of young people in South Africa on their Day of Affirmation. I conclude with his words, which remain as relevant today as they were almost 40 years ago:

The future does not belong to those who are content with today, apathetic toward common problems and their fellow man alike, timid and fearful in the face of new ideas and bold projects. Rather it will belong to those who can blend vision, reason and courage in a personal commitment to the ideals and great enterprises of American Society. Our future may lie beyond our vision, but it is not completely beyond our control. It is the shaping impulse of America that neither fate nor nature nor the irresistible tides of history, but the work of our own hands, matched to reason and principle that will determine our destiny. There is pride in that, even arrogance, but there is also experience and truth. In any event, it is the only way we can live.

Thank you for your kind attention.