



Speech by Rip Rapson:

## **New Directions, New Tools: A Study of Change at The Kresge Foundation**

*Address to the United Negro College Fund's Institute for Capacity Building, in Atlanta.*

December 4, 2007

Good afternoon. Thank you, Dr. Lomax, for such a thoughtful and extremely kind introduction. It is an honor to be introduced by an individual who exemplifies the kinds of values and accomplishments the collective institutions in this room represent. It is a pleasure to be here.

Some 100 years ago, W.E.B. Du Bois said:

We want our children educated. And when we call for education, we mean real education. We believe in work. We ourselves are workers, but work is not necessarily education. Education is the development of power and ideal. We want our children trained as intelligent human beings should be, and we will fight for all time against any proposal to educate black boys and girls simply as servants and underlings, or simply for the use of other people. They have a right to know, to think, to aspire.<sup>1</sup>

Du Bois' vision seems so fundamental, so inalienable. The right to know, to think, to aspire. And yet it has taken the collective will, skill and authority of the institutions in this room working for more than 170 years to move within striking distance of such an ideal. But you have done so by providing access and opportunity to hundreds of thousands of African Americans who by law or economics would otherwise have been denied a college education. I am humbled by your work and honored to stand before you.

## **The Importance of Advancement**

It is clear by your attendance at this conference that you are deeply committed to building the advancement infrastructure of your institutions so as to achieve long-term sustainability. The trustees and staff at Kresge applaud and endorse these efforts. And with the financial support that flows from a strong and committed donor pool come the resources to invest in academic programming, faculty development, financial management, historic preservation and countless other important priorities.

The Kresge Foundation has supported the work of historically black colleges and universities since 1966, but it is our Historically Black Colleges and Universities Initiative, which began in 1999, of which we are most proud. This five-year, \$18 million effort worked to strengthen the advancement capabilities of five institutions – Bethune-Cookman College in Daytona, Fla.; Dillard University in New Orleans; Johnson C. Smith University in Charlotte, N.C.; Meharry Medical College in Nashville, Tenn.; and Xavier University, also in New Orleans.

You probably know as much as I do about this initiative and its effects. And I know I don't have to explain how Michael Lomax, who was president of Dillard University at the time, had the vision to replicate and scale up the Kresge model to benefit other member schools within the United Negro College Fund. What I do want to affirm for you, however, is The Kresge Foundation's belief in the fundamental role historically black colleges and universities have played in our nation's development and the essential role they will play in our collective future. This belief is reflected, most immediately, in the \$8 million grant we made two years ago in support of the United Negro College Fund's Institutional Advancement Program.

I also want to articulate Kresge's highest respect for the work of the United Negro College Fund. We know the *Chronicle of Philanthropy* ranks the fund as the No. 1 nonprofit educational institution in America. UNCF attacks a front-line barrier to higher education – the inability to pay – through scholarships and internships that reduce or eliminate that daunting impediment for 65,000 students at 1,300 colleges and universities. It is a mighty organization with a brilliant and compassionate man at the helm. Thank you, Dr. Lomax, for all that you and your colleagues do.

I want to talk with you today about changes underway at Kresge. We are both stretching our signature capital challenge grant program and building new tools that move beyond it. The seriousness of the challenges facing contemporary society and the dizzying pace of change embedded in those challenges demand that any institution with the capacity to do so – particularly large, privately endowed foundations

such as ours – deploy their resources in ways that promise the greatest possible return for the greatest possible number. To paraphrase one of our most illustrious partners, a foundation is a terrible thing to waste.

So I'll divide my remarks into three sections:

- First, an explanation of why we are changing how we work at Kresge.
- Second, an overview of the framework we're developing.
- Third, a discussion of the areas in which your work and that of philanthropy might overlap in the future.

## **I. The Reasons for Change at Kresge**

Let me first explain why we are changing.

### **Emergence of the Capital Challenge Program**

From its earliest days, Kresge has sought to strengthen nonprofit organizations by supporting their physical expansion. Over time, and in recognition that facility projects required significant capital, the idea of issuing capital challenge grants emerged as the foundation's central grantmaking tool. It provided organizations with deadline-driven incentives to complete their project by enlisting a broad base of individual donors. As the challenge-grant program grew in size, its rationale shifted slightly from "building buildings" to "enhancing the capacity" of nonprofits to harness what Kresge viewed as the transformational opportunity created by a large campaign to raise private funds from individuals. It is this model that is being replicated by the Institutional Advancement Program.

### **Positive Aspects of This Approach**

For Kresge, there have been a number of attractive qualities about this approach.

*First, our brand is clear.*

As the only major national foundation that focuses on underwriting building projects, people knew what we did. For many organizations, surviving Kresge's demanding and rigorous application and approval process imparted a Good Housekeeping Seal of Approval, a credential stamping an organization's approach as a model of effective fundraising.

*Second, we have seen ourselves as neutral.*

Kresge did not make judgments about the project's value, an organization's mission, its impact on the local

community or its role within a particular field of work. We instead left that to others, preferring to interpret an organization's ability to mount a well-supported capital campaign as evidence that the community valued its work.

*Third, although we remained consistent in our goals and methods, we were able to adapt our model to special circumstances.*

Kresge has transported its core work to a handful of particular fields of interest. Helping to build the development functions of historically black colleges and universities is perhaps the best example of this kind of special case, but we also used it to promote green buildings, community foundations and universities' ability to purchase scientific equipment.

The cumulative impact of the Kresge capital challenge grant model has been unquestionably beneficial. It is a system that has helped countless campaigns reach the finish line. It has repeatedly generated new gifts, larger gifts and more engaged trustees and executives. It has prompted organizations to set new benchmarks against which to measure their development.

### **Limitations to the Approach**

This is a distinguished tradition. But as a sole grantmaking tool, it has some serious limitations.

*First, Kresge's model overstates our importance to an organization's long-term stability.*

There are certainly a great number of cases in which our support for a highly disciplined machinery of capital fundraising has translated into a more robust, sustainable organization. But there are also many cases in which it is not at all clear we have made a significant difference. Is it really plausible, for example, that a Kresge challenge grant materially strengthens the institutional capacity of a well-resourced private hospital engaged in a billion-dollar endowment campaign driven by scores of development staff and a high-powered board? I think the honest answer is pretty clear.

*A second critique of our approach is that Kresge relies on far too narrow a view of organizational capacity.*

Kresge has tended to equate long-term organizational capacity with an expanded individual-donor base generated during a building campaign. There is, again, a certain sensibleness to that proposition. But although a building campaign is unquestionably a teachable moment in an organization's history, it teaches us largely about one dimension of a nonprofit's resilience and precious little about other aspects of its organizational capacity – the relevance of its mission, the efficacy of its strategies, the adaptability of its staff to changes in the external environment, the efficiency of its operations, the quality of its governance

and the like.

*A third criticism of our approach is that we've relied almost exclusively on this single tool, even as the business of raising money has turned into a major industry.*

Kresge's challenge-grant program was developed at a time when nonprofit organizations faced huge obstacles to securing funding from all sources and when there was very little professionalization of the development function. Even as the fundraising environment changed profoundly – the increased role of planned giving, the explosion of large individual gifts, the change in public-sector funding flows and countless other forces – Kresge continued to work the same way it had for a quarter-century. Our capital challenge grant became all that we knew, and we bent all our efforts to refine it to within an inch of its useful life.

This reliance on a single tool is a little like choosing a screwdriver for every construction project – it works some of the time, but limits what you can ultimately build. An alternative might be to decide what you want to build and then chose the tools most appropriate to the task. Hammers and saws can be a good thing.

*A fourth limitation on our work is that, in the spirit of staying neutral, we have marginalized value judgments.*

Everyone in this room would agree that Kresge's application process is exacting – some might say finicky and exasperating. We don't compromise on what we believe to be the essential formula for a successful capital campaign. The approach is almost like an algorithm – an impartial mechanism that generates predictable results.

Because of our single-minded focus on the components of a successful campaign, we often neglected to give due weight to an organization's mission or the project's purpose. We have, without question, funded many, many organizations confronting pressing social issues, pursuing innovation or advancing best practices in a field. The problem is that none of those considerations was central to our decision-making. Clearly this wasn't the case with our Historically Black Colleges and Universities Initiative, but that was a special case.

The results were often counterintuitive. We might fund, for example, a well-structured campaign of only the narrowest importance, while declining a proposal that promised substantial impact but that was financially a less sure bet.

## **II. The New Framework**

It is not particularly pleasant to hold a mirror up to our work like this. But the more positive aspect of the exercise has been to figure out how to depreciate the asset – to determine what aspects of our past work continue to have value and should be carried forward and what aspects no longer serve us well and should be retired. So let me turn in the second section of my remarks to a brief description of how we at Kresge intend to work in the future.

The changes we are pursuing fall into four broad categories. First, we have recast our challenge-grant program and made a set of values the centerpiece of our decision-making. Second, we are promoting a broader spectrum of nonprofit capitalization strategies, such as working capital and access to nontraditional sources of capital. Third, we will seek to advance select fields of interest. And fourth, we are pursuing a comprehensive strategy to promote the revitalization of the city of Detroit.

A word about each.

### **Recasting the Capital-Challenge Grant: Values and Context**

The first, and most important, change we are pursuing is to strengthen our capital challenge-grant program. We are infusing it with qualities that will reinvigorate its role as the indispensable bedrock of our work.

We have begun with a number of adjustments to our internal grantmaking machinery. Yesterday, for example, we launched a new website that reflects our expansion to date, including a significantly streamlined applications process that we hope will make us much more accessible to medium-size and small organizations. Most important, however, is the placement of value judgments at the center of our work.

On paper, our old institutional ethic of neutrality made it appear that we had a wide-open door at Kresge, welcoming any organization of a mind to try to navigate our system. The reality is, though, a bit more complex – although the door was open, it was perched on an extremely high threshold of fundraising rigor that was difficult for the vast majority of organizations to climb.

There are a number of ways to modify that threshold and let more people in. One way is to recognize that values other than fundraising prowess need to be taken into account. We are focusing on a handful of such values:

- *Creating opportunity* – How does an organization’s work expand opportunities and support for low-income people in order to improve their quality of life and enable them to participate more fully in the economic mainstream?
- *Community impact* – How will an organization and a proposed project benefit the larger community?
- *Institutional transformation* – Does the proposed project promise to profoundly redirect the trajectory of the organization?
- *Risk and innovation* – Is an organization using new and innovative approaches to address stubbornly resistant problems?
- *Environmental conservation* – To what extent does the project advance sustainable building practices, environmental stewardship, historic preservation or sound land-use planning?
- *Collaboration* – Does the project encourage, and leverage, interdisciplinary engagement by multiple parties?
- *Underserved geography* – Is the organization or project serving locations with high concentrations of need and low financial capacity, such as poor rural areas or cities suffering from disinvestment?
- *Diversity* – Does an organization’s staff and board reflect the racial, ethnic and gender composition of the population they serve?

No one of these values is more important than another. Instead, each serves like a weight on a scale, with us giving greater priority to those proposals that seem to possess a “heavier” collective weight.

These values have also caused us to recalibrate our basic fundraising analysis – relying less on formulaic gift charts and more on an analysis of an organization’s capacity for growth and long-term stability. We certainly want to have confidence that a campaign has a chance of succeeding. But, rather than dictate our model to you, we instead intend to elevate our deference to your judgment about how best to get there and how we can be most helpful.

### **The Stretch: The Full Spectrum of Nonprofit Capital Needs**

So that is the first component of our change – looking through a quite different lens at our challenge-grant program. The second component seeks to take us beyond that program. It’s what we’ve termed the “stretch,” and it involves looking more expansively at how Kresge might support a far wider spectrum of nonprofit capital needs than simply facilities capital.

As nonprofits grow and take on increasingly complex operations, they rarely assess their business model. Trying to figure out month-to-month how to meet payroll is tough enough. Forget about trying to secure the

resources necessary to invest in technology, acquire equipment, build cash reserves and endowments, create new fund sources or provide for stable program development. Even if those sources of capital were readily available to nonprofits – and they’re not – it’s not in the genetic coding of most nonprofits to plan and act this way.

We’re at the front end of exploring how we might help.

- One option might be to rely on intermediaries to develop customized tools to help nonprofits engage in more sophisticated business planning.
- Another might be to assist organizations to build replenishing sources of working capital.
- And another might be to tap into the best philanthropic and private-sector thinking about how to access traditionally unavailable forms of investment capital.

### **Strengthening the Infrastructure of Selected Fields**

Recalibrating our approach to bricks and mortar, coupled with this “stretching” of our grantmaking, are the first two elements of our conversations about change. When we contemplate what will really make a difference in the lives of our children and our grandchildren, however, it’s difficult to stop there. We need to address the broader forces that set the stage on which nonprofit organizations play.

That requires, in turn, that we try to understand what it will take to overcome some of society’s most entrenched inertias – whether in overcoming racial disparities in health care, disinvestment in our central cities or the degradation of the natural environment.

Some of that can be done through better capitalization strategies, but much of it cannot.

We’ll instead have to resort to a broader array of tools – pursuing public education strategies, supporting advocacy, convening parties in pursuit of shared interest, underwriting research to create a solid base for policy change. Taking the kinds of risks that promise a return commensurate with the magnitude of the challenge.

One small foundation like ours can’t do this without selecting some points of leverage. We will concentrate on a handful.

First, addressing health disparities through a community-based approach that ties together environmental risks, community development and neighborhood-based prevention strategies.

Second, improving the access of low-income students to postsecondary educational opportunity.

Third, determining how we can help identify, and advance, strategies based in the Upper Midwest that will both mitigate the effects of climate change and contribute to thoughtful and prudent long-term adaptation to those effects.

Fourth, promoting the importance of arts and culture in enriching the daily patterns of life in communities throughout the nation.

And fifth, strengthening the capacity of colleges and universities in South Africa to contribute in material ways to that nation's institutionalization of democracy.

### **Investing in the Revitalization of the Detroit Region**

Changing our approach to bricks and mortar. Stretching the concept of capitalization. Selectively working in a handful of fields. There is one more piece to our conversations – the commitment to working intensively, comprehensively, and over time in one's home environment.

I'm asked all the time when I travel whether Detroit can come back. The answer is: Absolutely. It can come back. It will come back.

Nobody should minimize the challenge. The contracting southeastern Michigan economy, the mortgage foreclosure crisis, the perceived decline of the public school system, make for a powerful reality jolt.

And yet there is an extraordinary confluence of energies in Detroit, opening a window of opportunity our town hasn't seen in more than a generation – the reclamation of the riverfront, large employers moving back into a newly confident downtown, a focused mayoral-foundation effort to revitalize selected neighborhoods and promising strategies for spurring investment in the region's economy.

Kresge has significant roots in Detroit. We need to put our financial resources, our institutional credibility and our national connections on the line to keep this window of opportunity wide open – to help our community regain its economic health and civic self-confidence.

### **III. Future Intersections Between HBCUs and Philanthropy**

So just what does all this mean for your institutions? Let me use this third section of my remarks to project very briefly what the future intersections between philanthropy and historically black colleges and universities might be. I'll touch on four broad themes: connecting with your surrounding communities, identifying pathways to the emerging knowledge economy, forging more robust national networks of practice and learning and engaging in public policy.

#### **Connecting to Communities**

History is replete with examples of the power of your institutions to anchor, stabilize and promote the social and economic health of your surrounding communities.

The example of most recent memory is Katrina. It is a remarkable story, both for its continuing sadness and complexity, but also for its tremendous accounts of courage and heroism. The latter kind of story is exemplified by the efforts of Dr. Norman C. Francis, the president of Xavier, in his capacity of chair of the Louisiana Recovery Authority. Both Xavier and Dillard have been at the forefront of the struggle to rebuild the *new* New Orleans by working with city, state and federal agencies as well as private businesses to provide affordable housing, employment and basic infrastructure to serve the needs of the community. Dr. Francis richly deserved the Presidential Medal of Honor he was awarded for his leadership.

A less dramatic, but equally important, effort is the community building that has been the hallmark of the colleges in the Atlanta University Center Consortium – Clark Atlanta University, Morehouse College, Morehouse School of Medicine, the International Theological Center and Spelman College. These institutions have made a long-term commitment to the ongoing revitalization of the West End and Martin Luther King Drive District.

Philanthropy has been an important partner in these, and other, efforts. Think Ford, Rockefeller, Blank and many other, smaller, foundations with a commitment to helping low-income communities become healthy, vital centers of community life. We at Kresge look forward to joining those partnerships in a more meaningful way.

#### **Bridging to the Emerging Economy**

A second point of intersection is the role that your institutions play in bridging to the economic opportunity structures of the new economy.

Education is the most important driver for opportunity and achievement in our knowledge economy. Nothing is more central to that dynamic than your institutions.<sup>2</sup>

The New York Times recently reported on a fascinating example of this. It described a partnership between HBCUs and Indiana University in which HBCU undergraduates gain hands-on scientific research experience “at the bench” alongside graduate students and faculty members in the university’s multimillion-dollar laboratories. This collaboration not only benefits the students, but is also a boon for the university, which is able to build relationships with prospective black graduate students well before they graduate from college.<sup>3</sup>

At a more general level, by training 40 percent of all African Americans receiving bachelor’s degrees in physics, chemistry, astronomy, environmental science, math and biology,<sup>4</sup> the HBCUs are bolstering the ranks of native-born scientists and engineers who will take their place on the front lines of this nation’s economic competitiveness in the global marketplace.

This single statistic is remarkable in multiple dimensions. First is the pure scale. But second is the underlying reality of how far many of these students have come. Some may be coming from Exeter and other exclusive prep schools, but most are not. They may instead have fought their way through urban or rural school systems starved for adequate classroom support. They may be the first in their family to attend college. They may have struggled in countless other ways.

You have provided them with a direct bridge to a world economic order where they have a fighting chance not only to find a niche, but also to make a real difference. And not just by training them in the sciences, but also by accounting for 24 percent of all African American college graduates each year – each of whom will use either the left or right side of his or her brain to contribute to society.

Philanthropy again has a direct interest in this proposition. And not just Carnegie, Mellon and other educational funders. But also an increasingly wide swath of foundations seeking pathways of success for the nation’s next generation. We at Kresge intend to join that effort.

### **Participating in Increasingly Relevant and Sophisticated Networks of Learning and Practice**

A third point of intersection is participating in increasingly relevant and sophisticated networks of learning and practice.

One of the great values of the United Negro College Fund is its capacity to do exactly what we are doing today – bringing institutions together to learn from, support and challenge one another. It’s not easy to free the time to network as much as we like, but I would submit that we don’t do it enough.

The term synergy has been overused, but its magic is still potent. When organizations working toward a common purpose join forces in networks, their impact isn’t just increased, it’s exponentially increased. Metaphorically speaking, networks operate like a set of extension cords. Once members are plugged in and juice starts flowing, the current feeding them gets stronger and stronger. Not only do individual organizations become more effective, the network becomes a force in its own right – capable of wielding much more influence because of its unity of purpose. That’s the power source.

In times of overwhelming challenge, we need to seek out, or establish, spaces that promise just such a result. We at Kresge would like to help determine what that might look like.

Just one quick example. Kresge has sought over the last six months to bring together some of the institutional knowledge of the HBCUs together with institutions of higher education in South Africa, which are struggling to bridge the gulf between an older, predominately white academy and a young and diverse student population that will become the country’s next generation of knowledge workers. Whether this exchange is institutionalized in an ongoing network remains to be seen, but the possibilities are fascinating.

### **Engaging in Policy**

The final point of intersection is engaging in public policy.

It should not be as difficult as it is to make the case that public and private investment in your institutions is in equal parts an economic and moral imperative. But it is. We need to do something about that.

Again, the UNCF has played a pivotal role. It was, for example, a leader in the broad-based coalition that supported the College Cost Reduction and Access Act, the single largest investment in higher education since the GI Bill.

At her historic keynote address to the Democratic National Convention in 1976, Congresswoman Barbara Jordan observed:

We are a people in a quandary about the present. We are a people in search of our future. We are a people in search of a national community. ... Many fear the future. Many are distrustful of their leaders, and believe that their voices are never heard. Many seek only to satisfy their private work wants. To satisfy private interests. But this is the great danger America faces. That we will cease to be one nation and become instead a collection of interest groups: city against suburb, region against region, individual against individual. Each seeking to satisfy private wants. If that happens, who then will speak for America? Who then will speak for the common good?

Thirty years later, and everything has changed. Everything and yet so little. We are still in a quandary about who we are as a nation and where we will head.

For many of us, the last few years have been like having the anesthetic wear off after a serious operation – little by little comes the dawning realization that something is profoundly different. Our deepest communal values – based on solid American concepts of public responsibility for the common good – seem to have been shed, inexorably, until we're left with a dominant social and political ethic that enshrines individualism as the ultimate public virtue.

The effects are corrosive. Subordinating an ethic of long-term investment to an obsession with minimizing tax payments. Casting aside compassion for those less fortunate in favor of a deification of those who have achieved positions of privilege. Dismantling structures of mutual assistance in pursuit of grandiose concepts of market efficiencies, concepts that brought us Enron and the subprime mortgage crisis.

I can think of no institutions in our society more important to reversing these effects than our nation's black colleges and universities. Inspiring young people to a different set of aspirations. Opening their awareness to their God-given gifts. Teaching them to dream. Giving them the tools to succeed. Philanthropy has to help others understand how crucial your role is. We have to be full partners as you make the case – in local, state and national arenas of public policy – that you deserve the kind of support that will secure your future success.

## **Conclusion**

So let me conclude with a statement Mary McLeod Bethune made in a national radio interview almost 70 years ago: “As we have been extended a measure of democracy, we have brought to the nation rich gifts. We have helped to build America with our labor, strengthened it with our faith and enriched it with our song. We have given you Paul Lawrence Dunbar, Booker T. Washington, Marian Anderson and George

Washington Carver. But even these are only the first fruits of a rich harvest, which will be reaped when new and wider fields are opened to us.”<sup>5</sup>

Those new and wider fields are the legacy and the promise offered by the great institutions gathered at this conference. We at The Kresge Foundation are proud to contribute in some small measure to your past and future successes. We look forward to being even stronger partners in the future.

Thank you. You have our very best wishes.

<sup>1</sup> W.E.B. Du Bois, Men of Niagara, speech given Aug. 16, 1906.

<sup>2</sup> A fascinating example in the increasingly important sphere of environmental science is the work of Bob Bullard and the Environmental Justice Resource Center at Clark Atlanta University. The center serves as a research, policy and information clearinghouse on issues related to race, justice and the environment. See, e.g., Bullard, R.D., et al., *Toxic Wastes and Race at Twenty, 1987-2007: Grassroots Struggles To Dismantle Environmental Racism in the United States* (United Church of Christ: March 2007).

<sup>3</sup> The former president of Indiana University, Dr. Adam Herbert, explained the partnership this way: “What we are saying is that historically black schools are a very important part of the educational delivery system of America, and we want to help them produce more graduates in the STEM areas. Relationships like these are extremely important. What we’re saying in this initiative is that we’re prepared to bring our assets to the table.” *The New York Times*, July 18, 2007.

<sup>4</sup> The Southern Education Foundation, *Igniting Potential: Historically Black Colleges and Universities and Science, Technology, Engineering and Mathematics*, (Summer 2005).

<sup>5</sup> Mary McLeod Bethune, *What Does American Democracy Mean to Me?* America's Town Meeting of the Air, New York City, Nov. 23, 1939.