



Kerrin: Hello, and welcome to the Untapped Philanthropy podcast. I'm your host and Fluxx co-founder, Kerrin Mitchell. I've spent my career exploring technology's role and amplifying impact within our social sector, and more specifically, helping funders to learn to leverage technology and data to connect and better serve our collective causes, constituents, and communities.

In this podcast series, my team and I will profile social sector leaders, public figures, philanthropists, and industry futurists to explore this fascinating intersection of funding, technology, and policy. We're here to analyze the most critical and formative topics and trends that shape philanthropy both today and tomorrow. We hope this series leaves you inspired to think and act through a more collective and visionary lens.

This week, we welcome an incredible thought leader who has spent the last 20 years deeply analyzing philanthropy and studying what makes the industry, its funders, and its nonprofits tick.

I have a feeling that all the listeners here will really benefit from the insights of The Bridgespan Group's Managing Partner William Foster. The Bridgespan Group is a leading social impact consultancy that advises nonprofits, NGOs, philanthropists, investors, all in the different veins of what they do and where their investments go out into the community. And today, we're excited to have William dive into the wild world of endowments. William, thank you so much for joining us today.

William: Thanks for having me. It's a pleasure to be here.

Kerrin: Absolutely. For those people that may not be familiar with your work or with Bridgespan, I'd love to hear a little bit about the history of where you came from, and the journey you've been on. So, tell our listeners a little bit about yourself. I'd love to hear more.

William: Sure, happy to. For me it was an accidental journey. I didn't set out in my career thinking I would dedicate myself to philanthropy or social sector in any way.

I was at Bain and Company, another management consulting firm, but found myself constantly drawn to civil society projects, I helped start the first charter school in Silicon Valley. And I worked with a micro enterprise organization in Palo Alto, and constantly felt myself drawn to this. This will date me but I got a voicemail on the on the company system talking about Bridgespan getting started, which was back in 2001. And, and a year later found myself over at Bridgespan, in a small office with 15 or 20 people above the Hard Rock Cafe in Boston.

And in the 20 years since we've really dedicated ourselves to working with some of the most impact oriented and ambitious philanthropists and nonprofit leaders. Our work is about 50 50 between doers and donors and we've now built a firm that is in the fortunate position of getting to help people with some of the absolute most energizing and dynamic efforts to make the world a better place.

Kerrin: I actually have a similar background. I grew up in Silicon Valley in the for-profit realm and decided if I'm going to be working as hard as I am, I'd rather be doing it for something I



really care about. So, I hear your calling very clearly. So, as you're looking at that journey from your early days of analyzing the industry and getting started, what are the types of ways that you've seen philanthropy become more strategic? How has that manifested over the early days to now?

William: I think that one of the really remarkable observations is that there's a big arc of change that is very much still playing out for philanthropy. This journey from being charitable to being philanthropic, from thinking about the actions of the donor, the moral qualities, the things one would aspire to in goodness as a donor, to what can change and make an enduring difference on some of the toughest social problems we have.

And when Bridgespan was getting started 20 years ago, that was very much a shift that was taking place, and I'll share a story on that. It's a super tricky and complex question; how does a donor with all of these resources and assets and power actually position itself to help civil society organizations and nonprofit players in the most powerful way? And, and we're certainly learning a lot about that, but that shift is sort of part and parcel of Bridgespan coming into existence.

You know, our very first client was the end of McConnell Clark Foundation, which some of your listeners may know. Which had now transformed into Blue Meridian partners. But when we first started working with them, they had the somewhat revolutionary idea of giving large unrestricted grants to nonprofit leaders to fund their own plans and aspirations, which was a little bit of a shift. It's something we Bridgespan very much believe in. But when we started working with them, they said "let's get the business plans of nonprofits and really evaluate them and pick some that we fund." And they found that there weren't business plans to check out but that the nonprofits that they were interested in simply didn't have them. And so, the first kind of work that Bridgespan found itself doing was working with nonprofits to help them develop their own plans. And in the case of the McConnell Clark Foundation, they funded and helped them get funding for their own ideas and strategies. This moves the center of gravity to the nonprofit.

Kerrin: I love that because when you think about the impact of the things we need to be doing and funding, the organization's capacity up front is the thing that people forget about. It's that idea that to help nonprofits become what we want them to be, we have to invest in infrastructure, strategy, and things of that nature.

So, I think that's one of the things that before you can talk about impact, you have to be able to get in place to help nonprofits be in a position to scale their vision from one story to 10,000. You know, so it's a very interesting concept that Bridgespan came in with and I think that change of power is really critical.

William: You can over rotate. Some of the quest for strategy can put diligence demands that are onerous — what a private equity firm might look at multibillion dollar acquisition just simply doesn't translate to what a community-based organizations doing. So, you can over rotate. And at times, I think Bridgespan probably drove some of that. But you know, the fundamental notion



of really saying it's not about me as a donor, but it's about the change agents in the world and supporting the capacity building, for them to pursue their ideas it's sort of an unnatural act, in the sense of humility. That's the multi-decade transformation we're in for. Who is going to change the world? It's not easy.

Kerrin: Yeah, that's interesting. So, when we talk about the big things that are shaking up the philanthropic ecosystem, from people to crypto... it's all these things. And to that degree, some of the most interesting are the things people can do with endowments.

Which sometimes people would describe as sort of stodgy, or old, or legacy, but there's so much power that we must rethink our take on how endowments can be used, and how they can really help build capacity and things of that nature. So, I'd love to kind of hear you talk about that transition of that current philosophy moving towards how endowments can evolve in these processes can evolve and shake things up a bit.

William: Yeah, I am energized about endowments, which may make me a little bit of a bizarre person.

Kerrin: I love it. I think it's the most interesting way to build some serious change in the industry.

William: And it's funny you use the word stodgy. And I use that as well because I think endowments are really a sort of a stodgy tool for a radical purpose. They've been around forever.

You think about endowments as something that happens with kind of the biggest established organizations, universities, art museums, medical research, etc. But it's radical, because there is nothing more clean and complete in the trust-based philanthropy world than creating endowments, right? It's the ultimate shift to the extent that dollars and assets are power.

Imagine a world in which on the toughest multi-decade long problems; whether it's racial injustice, or economic mobility, or democracy, had institutions that were as sort of resourced and long-term in their thinking as other legacy institutions. It's really radical. It's what civil society, particularly in an American context, can aspire to.

Kerrin: You've written extensively about how true change has been able to occur because of endowments and the deployment of that money for social change, especially for black-led organizations. For people unfamiliar with that, do you want to share some examples of where you've seen this really hit home? How the funds can be used in endowments? And how that sort of manifests in the communities?

William: Well, first I'll start with the gap. Because the gap is the most pronounced. So, there are very few endowments deployed for social change organizations, and there are very few endowments deployed for black-led organizations.



If you take some of the most well-regarded organizations in the social sector that are that are black-led, think the NAACP or the equal justice initiative, as of 2018, the sum total endowment for those organizations was zero. And, and when we did further research to look into endowments, there's two other statistics that really jumped out.

One was, if you look at gifts of \$10 million or above, those gifts flow to institutions like universities and medical research organizations and the dominant form is endowments. And when you look at that flow to social change organizations, fewer than 5% went to endowments. And when you take a look at the leadership of these organizations by race, we built a 56 nonprofit sample of comparable white-led and black-led organizations.

You know, the ACLU, the anti-defamation League, the NAACP, when you look at this on average, the black-led organizations had endowments that were one quarter of the size and derived half as much of their annual operating budget from the return. So, there's huge gaps between institutions, and there is a huge gap between white and black led organizations. And, and most of these problems are amorphous, multi-decade problems. So, I guess the first place I'd start is the gap which is just enormous.

When I look at an organization that's been able to actually build an endowment, we have to look at the Harlem Children's Zone working in New York City. It has built a quasi-endowment and are doing work in a very targeted area of Harlem to close the gap between the outcomes of children in those neighborhoods. It's not government backed, it's not government funded, it's multifaceted. And they have found a sort of leader of Canada, who led them in this dramatic shift over multiple decades and have been able to build an endowment to support and supplement their work. And it just allows them to have a multi-decade perspective since they are not hamstrung programmatically by restricted funding at that moment at that time. It's pretty amazing.

Kerrin: And as you kind of go through these experiences, these stories, and you're working with folks are there any examples that have shocked you?

William: You know, to me I would say the most shocking thing is this vicious cycle of resourcing or lack of resources that prevent accruable change. I was working with a donor once who was contemplating a very significant gift to a smaller community-based nonprofit and they didn't have a CFO. So, they didn't have a full-time person on the finance team. And there was this massive kind of hesitation like, who can we write this check to? What are they going to do with it? Who's going to invest it? Where are they going to cash it? On the one hand, that's a genuine concern. On the other hand, that concern is entirely solvable by actually having resources. There's plenty of people you can hire and work with invest and manage your money.

But the contrast is so large, with major universities where there's an extraordinarily professional investment team and financial staff, and they have a drawer of 20 different big ideas in which to use the money and it's sort of this vicious cycle.



But I do think that when you look at the Harlem Children's Zone or an organization like the Anti-Defamation League which works on fighting bigotry broadly and anti-semitism in particular, it is transformative to those organizations to have resources to their support long-term goals and impact.

Kerrin: So, let's play that out. Let's say we live in a world where funders endow nonprofits the same way they do universities, hospitals, or museums. What does that really look like for a nonprofit? How would that play out?

William: On the nonprofit side you would see several things. You would see growth in the number of team members, you would see compensation levels that can attract staff. And you could see the nonprofit being willing to invest in programmatic work and advocacy work in the broader field at a higher level.

And right now, a lot of nonprofit CEOs spend 50% or more of their time raising money. Team member's programs are skewed. If a nonprofit could get 20%, 30%, of its revenue from an investment stream of an endowment that they themselves control it all changes. So, there's this massive difference between getting less than 10% of your money unrestricted to getting more than 10%.

One of the incredible things about civil society in America is how much creativity and energy comes from this stew of radical and refining leaders.

But imagine if we had the equivalent in democracy, in climate change, in economic mobility, with a diverse mix of leaders, black, white, etc. The landscape could look very different. And there's money sitting on the sidelines, it's not like people don't want to give away more money they do.

Kerrin: When you think about the nonprofit's themselves... the pure back-office costs that go into managing these 15k grants that come in, and the reports, and all the things that we all know are desperately inefficient they need to change! But this is sort of that that game changer that really does mobilize funds and let them do what they want to do, which is manage the programs get that impact out to the community.

So, I think it is just such a powerful way to kind of see how it can really evolve how our nonprofits get to work. As you see this process change, what are the big things that are broken that need to be fixed? What are the blockages that need to be moved?

William: The main blocks are around thinking and imagination, and it really applies to both the donors and the doers. There is a misperception that endowments should be given to organizations that are already very well established. A lot of organizations are working in community on the toughest kinds of problems, particularly those led by BIPOC leaders. So, it's not like we have a world in which nonprofit leaders are asking for endowment raises all over the place and getting told no, it's just simply not in the conversation.



And one of the major misconceptions that stands in the way of such large gifts for organizations outside the biggest institutions, is this thinking around absorptive capacity, right? Like it's irresponsible to give a \$10 million gift to a \$1 million a year nonprofit because they'll go off a cliff in a few years, they don't have the capacity to use it.

And this is where endowments are a bit magical. It almost flips the absorptive capacity problem on its head. It may be true that there are not many \$1 million a year nonprofits that can absorb a \$10 million gift, use it well, scale, backfill the fundraising, and all of that. But if you said how many million-dollar nonprofits could deploy \$500,000 a year in perpetuity? The answer is almost all, right? And so now suddenly, instead of 10 million seeming like too much, you might say, "a \$20 million gift would throw off a small team, but many nonprofits could deploy that well." And that's where I think it's sort of just thinking differently about that both from donors, but also from the nonprofit leaders.

Another misconception that I think limits the nonprofit and donor conversation about this is that there's a sense that so many of these social problems should be things we aspire to solve, versus work on forever. But we don't see these problems getting checked off the "problem board" list.

Kerrin: I love that concept of a problem board. The scariest board of all time, but very important. What I'm curious about is whether there is one thing that you would ask of this audience of grantmakers? How would you kind of get them started?

William: have a conversation with your leadership team about what portion of your grantmaking portfolio ought to be endowments. It's not going to be 100%. But similarly, it shouldn't be 0%. Have a conversation with your management team about what percent of the portfolio should be in this asset class.

And then think about the characteristics of a nonprofit for which that's the right move, and it's probably a nonprofit that is deeply trusted, has some years under its belt, but is also working on problems that are going to be around for decades. And I'm almost positive that every philanthropy will have a subset of grantees, a set of organizations they're contemplating to become grantees, for whom that is the right move.

Kerrin: Is there a question that you wish I asked you?

William: I mean, the only one I would ask is, do donors really want to give away more money? That's the starting point of this philanthropy conversation, right? Like, do donors actually desire to give away more money? If you look from a U.S. lens, the wealthiest Americans give away a higher percent of their money when compared to other countries. And yet, it's a small percent.

We've done some analysis at Bridgespan that showed that the wealthiest give away on average 1.2% of their assets do the equivalent of their of their wealth per year. And when you look at returns in the stock market that doesn't even close to keeping up with their wealth. And yet at



the same time, you have all kinds of folks signing The Giving Pledge who want to give away half or more of their wealth over their lifetimes. One of the things we found at Bridgespan is that is sincere. We don't think it's cynical, meaning we think it is a deeply sincere desire to give away that wealth. And yet, for a variety of reasons, it's not happening fast enough.

And this is where endowments and the math around endowments can really shift by an order of magnitude the kinds of gifts that can be contemplated. We actually think it could be a big part of the solution for donors looking to give away money, but also for nonprofit leaders, particularly those that have not been in the flow of major gifts. Historically, those working on the toughest social problems are black or BIPOC-led organizations looking to really sort of shift things.

Kerrin: Thank you so much. I think your question that you posed yourself is actually a wonderful one. I think that's a really bold question that we need to be asking. To wrap this up we always do a little thing at the very end called rapid fire questions. I'm just going to run you through a series of short questions and just say the first thing that comes to your mind, it's very easy.

All right, if you had a million dollars to put towards creating a new endowment right now, what impact would you target?

William: I would target groups that are fostering new social entrepreneurs. Working on all these problems we've talked about Echoing Green is the one that comes to mind, although I'll caveat that by saying the head of it is the co-chair of my board. So, I may be biased, but Echoing Green is great.

Kerrin: If you could have dinner with one historical figure from all of time who would it be?

William: The first thing that comes to mind right now, sadly, because of what's in the news is President Zelensky in the Ukraine. He's a great defender of democracy and civil society.

Kerrin: Good answer, I'm liking that one. If you could snap your fingers and change one thing in philanthropy, what would it be and why?

William: Quadruple the amount of money going to social change organizations because it would do good, and donors would feel very rewarded about it.

Kerrin: I love it. Thank you so much, William. What a joy to chat with you. I appreciate you joining the podcast and sharing more about your work. Our listeners can learn more about The Bridgespan Group at bridgespan.org.