

Champions for Social Good Podcast

Catalyzing Change Beyond Grantmaking: A Conversation with Henry L. Berman, CEO of Exponent Philanthropy

Jamie Serino: Hello and welcome to the Champions for Social Good Podcast, the podcast for people dedicated to social impact. I'm Jamie Serino, Director of Marketing with the Foundations And Corporations Division of Blackbaud. I'm here today with Henry Berman, CEO of Exponent Philanthropy and for more than 14 years, has also been the co-trustee of a \$20 million foundation. Welcome Henry.

Henry Berman: Jamie, delightful to be here. Thanks.

Jamie Serino: Yeah, it's great to have you. Why don't you start off just telling us a little bit about yourself and a little bit about Exponent Philanthropy.

Henry Berman: Well, let me talk about Exponent Philanthropy first. We're a 20-year old membership organization comprised of a little over 2,000 funders, primarily foundations, although a number of individuals as well. What they have in common is that they all operate in a very lean fashion. They choose to put their money into philanthropy and not necessarily into infrastructure. So we have members with three quarters of a billion, a billion dollars in assets, and there are maybe four people, five people taking care of everything. We also have members who have a million or two million, and maybe it's just mom and dad sitting at the kitchen table doing their grant making.

Henry Berman: But they operate in that very lean manner. So what does that mean? Because they are so leanly staffed, they're very hands-on. They're very involved with their grant making, which allows them to be nimble, and agile, and responsive, most of their money, not all of it, but across the organization, most of their money tends to stay local and that's because they're involved in their communities and they see things that are happening. As you said, I've also been the co-trustee of a small leanly staffed foundation for all these years, and I've actually practiced that. I understand that. We can see things in the community and I can talk to my co-trustee and we can be writing a check within 24 hours, if there's an immediate need. I'm not suggesting that's the best way to do all your philanthropy, just whimsical grant making, but you can be responsive.

Jamie Serino: Right, right. That's great. So, what is interesting though is when I speak with you about your organization, it sounds like a lot of the same issues that they deal with are a lot of times, the same as larger organizations and larger foundations. And one that you and I have talked about frequently is just the importance for funders to listen and to listen to what you call a diverse set of voices. Can you talk a little bit more about that?

Henry Berman: The importance of understanding, and we understand through listening, through communicating, understanding the people that we're trying to help through our philanthropy is just critical. And it should be one of those things, the old joke about this isn't rocket science, this isn't brain surgery, if I'm trying to help children learn to read, or I'm trying to save the wetlands, or I'm trying to support the symphony, whatever it is. For me to simply sit back and decide this is what they need money for is fundamentally pretty foolish.

Henry Berman: I need to listen to them, I need to be involved with them, I need to be part of their community. And listening is, from my point of view, Jamie, it's much more than simply... We had Reverend Smith from the local church, or so and so from this group, or we did one walk through a homeless shelter and therefore we know. It's really a matter of building a relationship with these people and understanding it. As a funder myself, and I think I'm very illustrative of many of our members, we put a high premium on knowing who we're funding. It's not simply, "Okay, we read your application. We looked at your financials, we did a site visit, here's a

check. We expect a report in a year." We'll check in with them regularly, they'll check in with us. And by building that relationship, ultimately, you get better philanthropy, I think, and better impact.

Jamie Serino: Nice. So what other ways, you recommended one or two ways just now, but what other ways can this be fostered, what other ways can better relationships be formed?

Henry Berman: It's a very personal connection. Years ago, I was teaching a class in fundraising, the other side of the table, and on the first night of class, 'cause I knew many students wouldn't come back for the second week. We said, "Here's the answer to the entire semester. So if you don't come back, the answer to fundraising is relationships." So if you're on Jeopardy and relationships come up, you go, "What is fundraising?" Well, that also applies for fund giving. It's all about the relationship with the people that you're trying to help, or the cause, or the situation. Which brings up an interesting point, if you think about the ecosystem and you think about the relationship, I as a funder have money. Jamie, perhaps is the homeless person that I'm trying to help. In between us, there is a homeless shelter, or a soup kitchen, or something. So the reality is, I'm funding that homeless shelter, and I think as funders, we build our relationships with the homeless shelter, and that's important. We need to know there's good leadership, we need to know they're operating in a sound manner, we need to know that their finances are in good shape, all that kind of thing. Absolutely. But I really need to know Jamie. I need to better understand him. Is it that Jamie just needs a roof over his head each night?

Henry Berman: Or does Jamie really maybe need job training, which would allow him to become self-sufficient and get his own groove. And I think all too often many of us stop at that nonprofit and we don't take it that next step. And that can be uncomfortable. You know, if I were to say to you, or as a funder, you know what, I'm gonna go spend a night in the homeless shelter. I'm gonna walk in there and I'm gonna sleep with these people for a night or two and really try and build some trust and hear what's on their mind and think about things. I mean, another good example is we all walk down the street in New York, Boston, any city, and there's inevitably somebody on the street laying there panhandling for a few dollars. And how many of us walk past that person convinced that if I... You know, they're saying they want it for coffee or they want it for a meal. We've decided in our heads that if I give them that dollar, that \$2 or whatever, they're gonna go buy alcohol or cigarettes. Well, we've just assumed that. We don't know that. I'm sure many of them do. I'm sure a bunch of them don't. And so what we as funders need to do is really keep our eyes on the prize of who we're trying to help and do everything we can to understand them.

Jamie Serino: Right, right. I think that brings us to... So, you used a phrase just going past the homeless shelter, so going beyond giving that check, right? So, what we keep hearing now is a movement away from checkbook philanthropy to something greater, maybe results-based giving or something like that. And so it sounds like you're kind of heading in that direction. So, how do foundations work with their nonprofit partners to help them to do that? So, they're gonna have to then see results so they're gonna have to have more transparency into what they're doing, are they having an impact on the people or on the environment, you know, that they're trying to help?

Henry Berman: I think there's maybe two ways to respond to that. One, we need to think about what are we really trying to measure in terms of seeing results? Is it simply how many people slept in that homeless shelter, to keep going back to that example, each night? And that's all we care about. Or is it what's happened to the people that are there? Are we able to help move people so that they're no longer coming to the homeless shelter? And I'm not putting a value judgment on either of those right now but I'd suggest that's a really important thing that people giving money need to think about. What do they wanna do?

Jamie Serino: Right.

Henry Berman: One of our members had a great expression using the homeless example. She said how do you measure hope? If you give that person a bed to sleep in and maybe a warm bowl of oatmeal and a cup of coffee in the morning, have you given them hope that maybe that next day is the day they'll find a job or they'll connect with their missing child or something will happen? I think we'd all agree we're not gonna give them a

pre-test when they come in the night before and a post-test when they leave in the morning. Yet we try and measure things like that that sometimes they don't fit nicely into an Excel spreadsheet. So, that's one of the challenges. There's so much, so much that funders can do beyond the check. Certainly the check is important. Nobody is gonna, nobody is gonna question that.

Henry Berman: But as a funder, you have the ability to convene people, to bring people together, to be a catalyst for change. Let's say, I'm in small town USA and there's a problem with high school kids after school. Probably true of every small town, right? I may have 10 or 15 or \$20,000 I can put towards something. And I could make a decision and say I'm gonna give it to the YMCA or I'm gonna give it to the Boys & Girls Club and probably feel good about it. But what I can do instead of that is I can pick up the phone because I have the money and I can call the director of the Boys & Girls Club, I can call the superintendent of schools, I can call the chief of police, I can call the general manager of the biggest business in town or whatever, and I could say, "Look, we all know we've got a problem. Let's all sit down and figure it out. I've got some money I can put to it. Let's figure out the best way to do that and work together." That's a pretty powerful addition. That's really leveraging your money beyond just the check.

Jamie Serino: Yeah, yeah. That's fantastic. And I think, you know, a lot of foundations probably forget that in addition to the money they have that position, that ability to convene as you're calling it. So, do you find that working with your members are more of them looking towards like, you know, maybe partnering or just expanding out? Do you find that more of those types of conversations are happening?

Henry Berman: Yes. The short answer is yes. They're working to collaborate to work together. I think collaboration is one of those words in this field that gets used a lot but like most words has many definitions. I think there's lots of ways where our members are collaborating where they may not both, you know, pool their money and say, here's a bigger check to an organization but they will both work with that organization or with similar causes. They will share information about not talking behind the back about good organization to fund or bad. But, you know, boy, you're into literacy. Are you aware of this kind of teaching or these kinds of programs? That sort of thing. So, many of them are collaborating. We're about to release our annual foundation's operations management report and we know from that that about 63% of our members collaborate with other funders, which I think is a pretty good number.

Jamie Serino: Yeah. It's great. So that's encouraging to hear. We're also hearing some of that from our Community Foundation customers, many of whom are probably members of your organization, and one in particular the Boone County Community Foundation talked a lot about partnering and on issues that they felt were bigger than just their community. So an issue like maybe education or literacy affected perhaps their whole state, and so by partnering with other Community Foundations they found that they could have a greater impact on students and on education and literacy. So it's encouraging.

Henry Berman: We see a lot of that and again to just sort of even further define collaboration or partnership, sometimes it can be as simple as the Boone County Community Foundation, maybe, just learning from another community foundation, "Hey, this really worked. This didn't work." Or "We brought this program in and these were some of the errors we made along the way." And we all make mistakes, that's okay. We gotta share them. I'm gonna diverge here for just a sec. On our website we did a series of videos last year where I talked to both funders and non-profits about some of these issues. How do you build a relationship? How do you do evaluation? And it was fascinating to hear both what our members are doing, of course, but the point of view from non-profits and how they see it, and how frustrated they get at times with people who don't make site visits, who don't talk to them, and really understand. Of course they like the check, I'm not pretending that doesn't exist, but they feel they're losing an opportunity to really help people be more impactful by understanding.

Jamie Serino: Yeah. The video series that you guys did, it was great, so for people listening you can go to exponentphilanthropy.org and you can check those out, they're really really good. I think they do provide the different perspectives that I think everyone needs to hear, so that, that's really good. But something else you touched on about learning from each other and what I'm seeing in the industry is a little bit more of breaking

down of some silos, and then of course with the ability to share information so easily now that people are looking at more about what works and what doesn't work. And I think that's another thing that your organization does is helps all of your members learn from each other, because we see other industries moving very quickly because competition forces them to look at each other and what works and what doesn't work and you don't quite have that same element, but now I feel like people are at least trying to do that a little more, so can you talk a little bit about that, what your organization does to help facilitate that?

Henry Berman: Philanthropy, I'm sure there are other industries, but philanthropy is really the only one I can think of where essentially there's no competition. So when our members gather, whether it's at a conference, or just a lunchtime program, or even online, they're willing to share their lessons. What worked, what didn't work. When we did those video series I think I initially called about 30 members and said, "Are you willing to go on camera and talk about what you've learned along the way, parenthetically, where you screwed up." [chuckle] Nobody turned me down. There was a willingness to do it. So, there's not a patent to be stolen, there's not a competitive edge to be gained, if I have come up with an... I oftentimes share with people the very simple evaluation questions I use at the end of a grant, because after several years, honed it down to just some very simple questions, told us what we needed, we didn't think it was burdensome upon the grantee. I share that all the time, why wouldn't I tell people?

Jamie Serino: That's great. So you mentioned your report, which I understand is going to be published on February 1st, that's great. Could you tell us a bit more about that and maybe some of the facts, the stats that we'd find in there?

Henry Berman: Yes. So it's an annual survey of our, primarily our foundation members. That's a key piece of it. Just sort of some of the interesting things at the highest level. Most of them in the high 70, 80 percents, have good procedures in place, which another one of those may sound obvious, but do we have a conflict of interest policy in place? Do we have a succession plan in place? Have we thought about term limits, particularly in a family foundation? As I always say it's a lot easier to figure these things out absent a conflict. Do we have a policy about spouses when they marry into the family? And do we have a policy if they get divorced? Particularly if we love the spouse and they're a great contributor to the foundation. That sort of thing. What's really impressive though to me, more so, is our members spend only \$0.14 per grant dollar in operating costs.

Jamie Serino: Oh wow. Okay.

Henry Berman: And that speaks to how leanly they operate. Many of them, 93% pay for accounting services, a little over a third use other services, so they're smart enough to realize that, "Yes, we're doing it ourselves, but we need an accountant who understands the 990-PF, or we need an investment manager who really knows the market."

Jamie Serino: Outsource certain things. Yeah.

Henry Berman: Or we'll use a philanthropic advisor to help us with the strategic plan. There's nothing wrong with saying, "We're a small shop, we do this ourselves, but we need help."

Jamie Serino: Right. Right. Right. Now just on the infrastructure question, cause I feel like that's been on the news in our industry a lot. Mostly on the non-profit side, about building the infrastructure of the non-profit so they can actually be sustained. You don't hear too much about concern about the infrastructure of a foundation. Any thoughts around that? Do your members talk about perhaps open grants that are building infrastructure within non-profits? Do they have any concern about building infrastructure within their own foundation? Any conversations around that?

Henry Berman: Well, I certainly see more of them realizing the importance of gen-op funding of just, "Hey, Jamie, you're running a great organization. You're in our sweet spot for what you're accomplishing. I'm not going to sit here and tell you that you need to use my money just for A or just for B. If you need to pay the heating bill, well that's important." In our foundation we fund a lot of early childhood literacy. I can pay for all the

books and all the teachers I want; but if these kids are sitting in a school in New York City and it's 40 degrees out and they're cold, nobody's learning. So let's be real about what we're trying to accomplish. So there is that attention to that sort of thing, to be more willing to fund gen-op.

Jamie Serino: That kind of lines up with what we've been seeing in the news. Turning towards the new administration, obviously change in administration is gonna bring a lot of change no matter what. It just seems like this particular administration is going to create changes within our industry that perhaps are a little bit bigger than in the past, particularly around taxes and things like that. What kind of conversations have you been having with your members? What kind of advice have you been giving them around all that?

Henry Berman: I guess if I really knew the answers, I wouldn't be sitting here. I'd be in Las Vegas.

[chuckle]

Henry Berman: Because I'd know what number to put it on. I think there is a lot of anticipation. As I said to somebody just a couple days ago, for years we hear about tax reform, tax reform, tax reform, and it never quite happens. The sense is it may really happen this time. But then this person I was speaking with, who's much more involved in policy in Washington than I am, said, "Well, if you look realistically, it may take as much as a year to get that all hammered out, and then if it drags a little bit, you're on the eve of a mid-term election." And what does that do to things, one way or another. I think there's...

Henry Berman: So I think there will be something. And I do think that the non-profit sector will be rolled into all of that. I do believe the Trump administration is looking at corporate taxes and personal income taxes initially, but that will certainly impact charitable giving. Even if he reduces the nominal tax rate to say a high of, what did I hear, 25% or 28%, or something like that, that's effectively reduced the size of your deduction. Right now with a 39% tax rate, it's a bigger deal. That's just simple math, but it comes down proportionally. I think that before Trump was elected, there was a sense, had Hillary Clinton been elected, that the Republican Congress may well have pushed heavy on examining foundations. Because of the Clinton Foundation.

Jamie Serino: Right, right.

Henry Berman: With Trump having won, I suspect that will happen less so. What I do think... What I hear a lot of talk about is that Congress is going to look heavily at endowments, universities, hospitals, big chunks of money that are sitting there. They've been talking for years, or there have been rumblings about looking at donor-advised funds, and what may or may not happen there. But at this point, it's a lot of speculation.

Jamie Serino: Right. Are your members concerned or nervous in any way?

Henry Berman: I think they're correctly concerned. We all should be. To just sort of keep an eye on things. It's probably a little premature to get too worried, until we start to see what happens. But it does bring up a really important point, which goes back to that relationships kind of thing. So I live in Washington. A lot of friends float through Washington, because they're coming to Washington for its, you know, Academics on the Hill Day, it's Doctors on the Hill Day, it's Soybean Farmers on the Hill day. It's whatever.

[chuckle]

Henry Berman: In our industry, we have foundations on the Hill. Everybody thinks, oh, I've come to Washington. I've maybe met with the representative for the Senator. More likely I've met with some of their staff. This is great. And they walk out the door. You know what, tomorrow the next group is in there. And I'm not suggesting that members of Congress are not paying attention; but I think what all of us need to do is to really constantly talk and share our stories about what we're doing. Particularly when those members of Congress, those Senators are back in their home districts, or their staff are there. Take that Senator, take that rep to that homeless shelter that you're funding, and let them see what your work is doing, and why protecting your deduction, protecting foundations is important. And that it's not about you as the foundation. "Oh my gosh,

if you change the deduction, I won't have as much money", as an individual funder. But let them see the impact of what you do, because that's the real strengths of what all of us do.

Jamie Serino: That's great, great advice. Leveraging your relationships and then telling your story. It is really important now, because whether you like Trump or not, he's a good storyteller and he's very media savvy.

Henry Berman: He is, absolutely.

Jamie Serino: So what happens there is if you... If his policies are not aligned with whatever you're doing, you have to kind of then go up against that. So, do you have any other advice with regard to storytelling, and maybe foundations helping to tell their stories, or foundations helping the non-profits to tell their stories? We've been touching on it a little bit, I think, throughout our conversations; but maybe to end on that note, do you have any advice, further advice in that area?

Henry Berman: I think that the key thing, and I probably already said this, but it's to remember that the real story is not you as the funder or the foundation. It's that child you've helped to read; it's the person you've helped get an inoculation; it's the wetlands that you've saved; it's the symphony that you've kept the doors open to provide arts education in the community. That's the real story. Nobody wants to just know, "Oh, well you're a foundation and you give out so much money. That's wonderful, but what do you do with the money?" So it's telling their story and, in turn, that reflects back on you and your story. On our website we have a media toolkit we developed last year to help funders better tell their stories and get it out there. Storytelling is powerful. In my earlier career I made films. One of the mantras that we lived by was trying to get the audience to see themselves on the screen. You want to tell the story in such a way that somebody in power can say, "Oh, that could be me." You know, the old "There, but for the grace of God, go I", and get them on that emotional level. If you just feed them numbers about how much money you poured into the community, I don't believe you're going to have the impact.

Jamie Serino: That's really powerful. That's great advice. Henry, is there anything else you'd want to add? Anything you feel like we didn't cover?

Henry Berman: No. This was great. Thank you for the opportunity. That report, as I said, is out February 1, has lots of fascinating information, as well as for many foundations, salary guidelines for small foundations.

Jamie Serino: Great.

Henry Berman: What are norms, divided by the country, by asset side. I suspect maybe a lot of your listeners might be interested in that.

Jamie Serino: I'm sure they would be. This will probably be published in February, so the reports should be out pretty promptly to this.

Henry Berman: Pretty promptly on the website.

Jamie Serino: Great. Very easy to find. Henry, it's been a pleasure. I really appreciate you stopping by.

Henry Berman: Thank you.

Jamie Serino: For our listeners, I hope you enjoyed this episode of Champions for Social Good. To learn more about Exponent Philanthropy, you can visit exponentphilanthropy.org. As I said, definitely check out those videos. And as Henry's been saying, check out their report. You can follow them on Twitter @exponentphil, and follow Henry at @Berman_Henry. Please subscribe to our podcast so you don't miss an episode and you can keep up with the conversations between episodes by following us on Twitter at [@jamieserino](https://twitter.com/jamieserino), [@MicroEdgeLLC](https://twitter.com/MicroEdgeLLC) and [@Blackbaud](https://twitter.com/Blackbaud). Thank you for listening.