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ACCELERATED CULTURAL TRANSFORMATION

POSITIONING INDIANAPOLIS AS THE NATIONAL CAPITAL FOR
"NEW GENERATION PHILANTHROPY"

AN *IDEAS IN INDIANA* SERIES EVENT
CO-SPONSORED BY THE HUDSON INSTITUTE AND SMITH WEAVER SMITH INC.

HUDSON INSTITUTE



July 31, 2002
The Strategy Studio™ @ Keystone
Indianapolis, Indiana

Philanthropy is one of the most important ways that we exist and relate to each other. This event was not meant to reach a particular destination, but to begin our journey.

Jay Hein, Senior Fellow, The Hudson Institute

**INTRODUCTION AND WELCOME
DAN MELYMUK
MANAGING PARTNER, SMITH WEAVER SMITH INC.**

Dan welcomed guests to the Strategy Studio, Smith Weaver Smith’s new facility designed for large-scale collaborative events. The Smith Weaver Smith team is pleased to have co-hosted and co-sponsored this program with the Hudson Institute.

**OPENING REMARKS AND INTRODUCTION OF SPEAKERS
GARY L. GEIPEL, PH.D.
VICE PRESIDENT, HUDSON INSTITUTE**

Gary welcomed the group to the Hudson Institute’s second *Ideas in Indiana* event, one of a new series for Hudson that grew out of a desire to focus on applied research and real world policy challenges, to see the difference individuals and groups can make in Indianapolis, and to help the community become aware of critical issues of quality of life and community improvement.

Today’s session grew out of an important question: “How might this city look if Indianapolis were positioned as the national capital of ‘New Generation Philanthropy?’” A number of people have sensed that these discussions are already taking place. The topic is timely, as many ingredients already are in place in Indianapolis: organizations and resources, the community foundation movement, large foundations, and intellectual resources including the IU Center on Philanthropy on the IUPUI campus.

When a city aspires to call itself the national capital of something, the city needs more than a ledger of organizations. The city needs a commitment to be more than the sum of its parts, an approach in Indianapolis based on new relationships, new modes of delivery, and fresh thinking. The city must make a commitment to identifying sources of wealth, organizations involved in distributing wealth, organizations that provide services to not-for-profits and recipients, persons working at the grassroots level, and individuals in organizations who attempt to study philanthropy and to answer questions concerning the outcomes of philanthropy.



Today’s event may seed conversations that will influence multiple areas of philanthropy. If Indianapolis truly is to be the National Capital of Philanthropy, it may be more sensible to wait until we can bring about necessary changes in the right ways. We are on that path by bringing people together to collaborate among philanthropic sectors, and to do something new and different.

Each of the keynote presenters is committed to approach these relationships differently and to understand philanthropy differently. Paul Brooks is arguably one of a handful of people in the country who understands the complex relationships between wealth generators and their philanthropic goals. Paul’s firm, The Helix Group, is breaking new ground in this area.

**REMARKS
PAUL BROOKS
MANAGING DIRECTOR, THE HELIXX GROUP**

Why are we having this discussion? There are two important points to consider.

One: The community is well on its way to looking at new generation philanthropy as a thought process through existing institutions, people, and the history of philanthropy in Indianapolis. There are truly great opportunities to be plumbed in positioning the city to be the national philanthropic capital. To do this, we must establish the strengths that exist in our community and build on them, in much the same way that Indianapolis has become the amateur sports capital of the world. Philanthropy may be the greatest strength that can be used to improve any community economically, culturally, and civically.

Two: What might this look like? Indianapolis must establish itself as the leader in influence-creating institutions in philanthropy and civic capital. Already a significant number of national and international institutions that influence philanthropy on this kind of scale call the city home. This is the beginning point.

As a next step, the city must become the leader in identifying, attracting, and growing institutions and organizations that are a part of the “Civic Capital Services Industry” through positioning philanthropy as a practice that will have an ever more profound effect on how we live our lives. The size and scope of both philanthropic gifts and philanthropic industry employment will make Indianapolis the place to be if you are in the civic capital services industry.

As civic capital firms make Indianapolis their home, and as members of the community learn more about philanthropy, we will be able to model global best practices through local applications. This will require more collaboration and partnerships that are based on the extraordinary knowledge of locally-based philanthropic experts and a plan to utilize this knowledge to impact the quality of life in our community.



If Indianapolis is to be the national capital of philanthropy, we will need to incorporate the Silicon Valley effect—the advantage gained by many experts living in close proximity. Today’s meeting is important – we should get together often and have many discussions about the topic. When we focus on bringing people and groups together, we extend the reach of leadership and influence-creating institutions and promote leadership in other organizations that support these institutions.

Adam Smith, author of *The Wealth of Nations*, has been called the father of modern capitalism. In a lesser-known book, *The Theory of Moral Sentiments*, Smith claimed that capitalism is the most profound means ever invented for improving mankind’s material lot. Yet, he noted, capitalism is so powerful that it carries within the potential

seeds of its own destruction. Smith’s ideas about a well-balanced society can be pictured as a tree and root system. Left purely to its own ends, capitalism (the tree above the ground) tends to focus on growth to the point that it strips the resources it needs for sustenance out of the root systems and brings about its own end. While it is important to build the financial and economic capital of a society, it is equally important to build the civic and social values (root system) of a society. What I hope Indianapolis might become as a city is not only the place where extraordinary economic growth exists, but its growth is sustainable because we are able to model leadership in philanthropy and civic capital services.

REMARKS
BARBARA WEAVER SMITH, PH.D.
PRESIDENT, SMITH WEAVER SMITH, INC.

Barbara Weaver Smith's professional and academic background includes positions as a writer, a teacher of writing, former professor at Ball State University, and CEO of the Indiana Humanities Council. Dr. Smith is very active in helping organizations to understand how they can change to be more successful and to create change in their spheres of influence.

Barbara began by saying that to consider Indianapolis as the nation's capital of new generation philanthropy, we must begin with what we mean by "new generation philanthropy." I define it in part as moving beyond "charity" as almsgiving. New generation philanthropy is much more intentional, business-like, and investment oriented, than pure charity. While at this point in our nation's history, it is risky to say that philanthropic organizations should be learning from the business world, there is much in philanthropy that can benefit from business strategies, such as engaging investors in the work and building organizational capacities.



At Smith Weaver Smith, we talk about new generation philanthropy as "Social Ventures" – big ideas that are intended to have social benefit for the community as well as economic sustainability. What we do is to incubate and launch new social ventures. And we have found that this work required unprecedented levels of collaboration among individuals and organizations that cross public, private, and corporate sectors.

New generation philanthropy recognizes that problems cannot be solved and opportunities cannot be captured within a single economic domain. Each sector is part of each problem; each has expertise and resources to bring to solving every problem and capturing every opportunity. We find in this economic environment that it is not enough simply to do business. People who do business in Indianapolis also accept the responsibility to build the community environment and infrastructure where

businesses can be successful. From this perspective in central Indiana, business IS philanthropy.

On the plus side, Indianapolis has a rich history of social ventures, as these examples illustrate:

- UNIGOV started the community on a path to look regionally, and set the stage nationally for persons to look to Indianapolis for collaborative innovations.
- Indianapolis has an interesting history of public-private partnerships, including Mayor Goldsmith's privatization endeavors and funding from the public and private sectors to support Mayor Peterson's arts and culture initiative.
- We have broken new ground on how philanthropic dollars and commercial dollars can work together. A perfect example is The Arts Garden—a philanthropic entity that functions as a hub of commercial development in the downtown area.
- Lilly Endowment is funding larger and more collaborative projects all the time.

Nevertheless, Indianapolis has major projects and unmet needs: K-12 education needs improvement, there is a statewide brain drain, state government is sometimes unresponsive, economic development and workforce development are inadequate, and the economic climate is not as robust as we would wish.

How will we meet these challenges? To qualify as the philanthropy capital, Indianapolis will need to:

- Increase funding for social ventures and investment in hybrid ventures
- Write new assessment models
- Computer social return on investment
- Take the lead on philanthropic lending and circulating investment dollars
- Experiment with for-profit and not-for-profit combinations
- Experiment with donor engagement

Indianapolis has many fertile initiatives underway; including the Indianapolis cultural initiative; the Life Sciences Initiative promoted by the Central Indiana Corporate Partnership; the Community Digital Alliance led by WFYI Teleplex; the Npower initiative to wire and connect not-for-profit organizations, housed with the Central Indiana Community Foundation. Many of these initiatives have already spawned new 501(c)(3) organizations.



But what if we did not always form another nonprofit organization? Through “new generation philanthropy” we need to invent the management discipline of collaboration. How can multiple, diverse but synergistic organizations come together and work together in systematic initiatives that will never truly merge?

New generation philanthropy requires four qualities of infrastructure:

- **Knowledge** – Who’s doing what? We need to manage knowledge so that it is filtered and useful, not overwhelming. The Indianapolis philanthropic community can identify, publicize, and build upon lessons learned, best practices, and what is both visionary and practical. We can incorporate the business management concepts of joint ventures and strategic alliances in the philanthropic arena.
- **Process** – How do we govern long-term collaborations? We need to ask and answer questions such as who’s in charge? How does the money work? Strategic joint ventures incorporate decision-making structures and ways of collaborating that are ethical, legal, sensible, and workable within communities.
- **Technology** – How do we leverage talent through technology? Technology allows individuals and communities to manage knowledge. Technology solutions allow participants to spend time together, learn together, and create knowledge together in ways that are respectful of the time, talents, and financial resources of participating institutions and their leaders, both staff and board.
- **Capital** – There is an increasing need for seed funding or angel investment to bring social ventures from concept to sustainable reality. Our community’s donors are funding programs and projects in the range of multiple millions of dollars. In these cases, the time and expertise required to design the project and build the model becomes greater and greater. Investment, up front, in developing a sustainable business model is a requisite of social venture philanthropy.

Finally, the heart of new generation philanthropy may be deal flow – bringing philanthropic ideas, services, and products “to market.” If I have the next best idea for a commercial technology product to develop in Indiana, I can take it to Rose Hulman Ventures for help in assessing and fleshing out my concept. Where would I go with the best idea for a new social venture? The New Philanthropy capital of the United States should have a “social venture incubator” attached to every business incubator in the state.



REMARKS
EUGENE R. TEMPEL, PH.D
EXECUTIVE DIRECTOR, CENTER ON PHILANTHROPY, INDIANA UNIVERSITY

Dr. Tempel is one of Indianapolis' foremost authorities on philanthropy and fundraising and a key contributor to this discussion, combining the academic expertise of an analyst and theorist with the practical experience of a long-time fundraiser. In recognition of his accomplishments and expertise, the *Nonprofit Times* has honored Dr. Tempel by including him on its list of the country's 50 most influential leaders in the nonprofit sector each year since the list was created.

As the third speaker, I can provide thesis, antithesis, and synthesis. To begin, we have to agree on the definition of the terms we use. Attracting organizations that fall within the philanthropic services industry is different from being called the "capital of new generation philanthropy." Further, we have to decide on a common name for what we are doing as a community – charity and philanthropy have the same meaning (one word comes from Latin; the other, from Greek). Charity focuses on reducing human suffering. Philanthropy focuses on enhancing human potential. With respect to "new generation" philanthropy, as Peter Hero notes, new donors are as different from each other as they are from the previous generation, and these differences will have a profound impact on the future of philanthropy.

In a recent conversation, John Whitehead described the Center on Philanthropy as the best place in the country to study philanthropy. Here are a few of the reasons why he said that:

- The Payton Philanthropic Library
- The Ruth Lilly Library – Foundation Center archives
- Research conducted for Giving USA (Offices in Carmel)
- Our longitudinal study of giving and volunteering, partnering with the University of Michigan's panel study

That is the view from 30,000-feet. But how does the Center contribute knowledge at the local level? We have many initiatives:

- The Efroymsen Chair in Philanthropy – Kirsten Gronbjerg's research studies on 14 communities throughout Indiana have identified 60,000 nonprofit organizations in Indiana alone, many of which cross-fertilize informally.
- The Indiana Achievement Awards, highlighting best practices of 6 non-profit organizations in Indiana. Best practices are shared with the Council on Foundations. Through a Kaufmann Foundation grant, we are looking at ways to identify the best not-for-profit organizations in the nation.
- Indiana University Press studies on philanthropy
- The Community Foundations Institute
- Degree programs in Philanthropic Studies and Nonprofit Management attract 280 graduate students per year. No other school in the world is doing this. Indiana University is in the planning stages of creating the first Ph.D. in Philanthropic Studies in the world. We have become the "leader in the development of an emerging field."
- Indianapolis is home to a number of influential philanthropic organizations: research action centers, national organizations, regional, national, and international consulting firms, fraternities and sororities, religious headquarters, local nonprofits with national impact, 38 private colleges and universities doing things in new and different ways, cultural organizations, and private elementary and secondary schools. Among the organizations

with national prominence and reach are:

- Nina Mason Pulliam Charitable Trust
- Lumina Foundation
- Central Indiana Community Foundation
- Walker Research, The Polis Center, and Hudson Institute – research related to not for profit organizations and civic engagement
- National Committee on Planned Giving, the Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA), the American Association of Fund Raising Counsel (AAFRC), and eTapestry
- Islamic Center of North America, Disciples of Christ
- Local Goodwill and United Way organizations that are national models
- Clarian Health
- Indiana Grantmakers Alliance

There is a challenge to being known as the capital of new generation philanthropy: since the burst of the dot-com bubble, the term “venture philanthropy” is no longer being used. Philanthropy is now based on the concept of making significant improvements, realizing that it is impossible to eliminate problems altogether. Indianapolis as a city, and Indiana as a state, has a long way to go before we can be known as the philanthropy capital of the country.

- Indiana ranks at the national average for charitable contributions, but below the national average in household giving.
- While the state ranked #1 in the East North Central Region in giving as a percentage of per capita foundation giving, Indiana ranked 10th in total foundation giving nationally, and only precedes Wisconsin in the East North Central Region.
- Indiana ranks above national average in political participation, trust, and social and religious activities, but is at the national average in social and charitable giving. Studies show that levels of civic participation better predict residents’ happiness than education and income.

As a community, we need to continue to talk about Indianapolis’ assets and resources, challenging ourselves to be a national leader in philanthropic and civic initiatives and working with national leadership in these areas. Indianapolis can claim to be a leader, without claiming to be the place for philanthropy, working to be on par with Washington DC, New York, Minneapolis, Chicago, Boston, the Silicon Valley, and Seattle. Indianapolis can begin this process by articulating the things we have, make visible what goes on about philanthropy, and sharing ideas about what could be better about philanthropy in this country. These ideas need traction more than we need to claim a reputation for ourselves.



QUESTION AND ANSWER SESSION



I recognize the country's current leaders in philanthropy, except for Minneapolis and Minnesota. What did they do to make themselves a national leader?

John Pratt of the Minnesota Nonprofit Organization says the state did this deliberately through a combination of high taxes and high philanthropy. Residents believe it is important to help one another and to give, while the 2% and 5% Clubs spur corporations to give from pre-tax profits. The culture shift didn't happen overnight. It happened with the right kind of leadership and leaders who articulated a vision.

How important will it be for Indiana to change tax structure to make an impact on philanthropy? What aspects of the code will need to be changed?

There were a number of proposals as part of the restructuring debate, but the fiscal realities made it hard to include all of them. One of the most important benefits is the education tax credit (which a number of leaders tried to expand); in fact, many taxpayers do not even know it exists. Changes such as tax credits that directly reduce the cost of giving will be helpful. The bully pulpit is an important example – if leaders highlight certain points of giving, communities will respond.

What will civic capital organizations look like?

There has not been a great deal of discussion about this, and my response may be more personal speculation than fact. I don't think it would be unreasonable to see elements in philanthropy that bear resemblance to capital market structure – demand (charities), supply (donors), and intermediaries (organizations that hold and distribute funds). We're also dealing with a dearth of information. Philanthropy acts as a "bottom up" industry, and we really don't know what organizations are doing, how they do what they do, and which organizations are better positioned to make an impact. It's also harder to determine outcomes of giving than outputs of giving, though what is emerging is an industry that is trying to build structure to bring economies of scale to new areas.

For example, financial advisors have access to information, funds, etc., but do not often articulate the impact on philanthropy of personal and organizational economic decisions. We need to bring financial advisors and their management techniques to philanthropic arenas and reduce the "silo mentality" by allowing donors' financial advisors to manage their philanthropic goals as well as their financial goals. I think this is a great way to create efficiencies in the marketplace.

Community Foundations are moving toward allowing financial advisors to continue to manage donor funds. As technology capabilities increase, they will have the ability to serve larger donations.

What do you see as Quality of Life Outcomes if Indianapolis becomes the “National Capital of New Generation Philanthropy”?

We need to apply outcomes to our own communities – everything that we know about philanthropy is designed to improve quality of life. As we improve, the city will become more of an attractor, not just improving quality of life for persons already here, but giving others a reason to come here. Quality of life gives Indianapolis an identity.

The types of outcomes for Social Ventures involve measuring outcomes of particular organizations and their programs, much like the Roberts Enterprise Development Fund’s Social Return on Investment. Outcomes will measure social gains as well as economic development and use of funds; in the end, the aggregate will be more important than individual outcomes.

When Indianapolis began to call itself the “Amateur Sports Capital of the World,” the claim was asserted so often that we began to believe it ourselves. This gives us a challenge; we have a reputation to live up to. The 1982 Sports Festival caused us to develop other programs and go after the NCAA Headquarters, but I’m not certain that we have everything to justify this claim. If you want to be perceived as the philanthropy capital of the U.S., just make the claim.

Maybe the real benefit of this discussion is not so much claiming the name and debating it nationally, as it is achieving the vision and working towards the goals we have set for ourselves. This way, we can bring in the social and civic capital to make the claim a reality.

BREAKOUT CONVERSATIONS AND REPORTS

Participants gathered in small groups to discuss scenarios about the philanthropic future of Indianapolis. Each group reported its thoughts to the whole. Scenarios, questions, and responses are transcribed below. Dr. Jay Hein, Senior Associate of the Hudson Institute, facilitated the breakout discussions.

Scenario One: *Imagine that we are gathering here in July 2012 – ten years from today. Indianapolis is now widely known as “the philanthropy capital of the United States.” Foundations, nonprofit organizations, and community development teams from around the world come to Indianapolis to learn how to improve their own philanthropic approaches. Corporate America develops its philanthropic business plans with assistance from Indianapolis organizations. Everyone who researches or editorializes about philanthropy seeks the point of view of Indianapolis philanthropic leaders.*

What is it like to live in the philanthropy capital of the United States?

- The state of Indiana exceeds national giving rates and has greater rates of volunteerism. We demonstrate that we are the leader.
- We claim the bragging rights, but also have a better understanding and application of the resources at our disposal. Crime rates are lower, there is better education, and we have the ability to apply our learning to problems.
- We are self-aware of problems and successes.



- There is a better quality of media reporting of philanthropy, emphasizing real change rather than fundraising. There were articles in The New York Times and other national publications that identified Indianapolis as the capital for philanthropy.
- Behind the scenes work became as important as publicity. We created an organization whose CEO serves as the face of philanthropy in Indianapolis.
- We budgeted money to bring the press to Indianapolis to show national press what the city is like. We followed the model of the ICVA and brought the press to the city so that they could understand what we are about.
- There are more corporate volunteer programs.
- Increased economic development means more jobs.
- Philanthropy has developed as an industry. Just as we now say everyone has a friend who works at Lilly, now everyone has a friend who works in a philanthropic enterprise.
- Philanthropy has become everyone's business, and is a recognized industry instead of a smaller sector.
- Philanthropy has become a part of political candidates' platforms and corporate competition. More organizations contribute to the community and there are more opportunities to serve.

If this happens as we say it will, Indianapolis will be a regular part of the national news, highlighted on MTV and the Today Show as the "hip, new place to come." Philanthropy will be showcased, and the popular media will capture the spirit of Indianapolis in a broader context.



What has changed in our community during the past ten years?

- A new time zone attracts multiple airlines and new hubs to our community.
- We have created Four-Star partnerships between the corporate world, government, individuals, and the philanthropic community. Individual giving in Indiana has increased.
- The study of philanthropy has brought new programs that can be measured and replicated in other cities.
- Indianapolis now attracts the "best and the brightest" from around the world to make the city better. We have changed our image from being a working city to being a creative city driven by knowledge and creativity.

- As philanthropy grew and became more robust, other businesses were attracted to Indianapolis due to the positive economic impact of philanthropy.

What were the most significant things we did to earn the designation “philanthropy capital” of the US?

- In Silicon Valley, Washington DC, New York, and Minneapolis, economic prosperity came first, prior to increased philanthropy. First, Indianapolis had to become a more prosperous city economically.
- We did not become the philanthropic capital of the United States for its own sake, but because of observed benefits and outcomes:
 - Absolute measures of quality of life: there was improvement in education, health, economic assets, and, quality of life.
 - We leveraged existing assets in philanthropy and give visibility to them. We sought buy in from top public and private leaders.
- We convened a network of not for profit leaders, new generation donors, and service providers, those groups or individuals who are involved in fund development and fund raising.
 - Within each of these categories (leaders, donors, providers) there was a difference in philosophy relative to how to give money, accountabilities to build in, degree of direct involvement on the part of donors, and these perspectives were addressed.
- We nurtured the next generation’s idea of philanthropy, encouraging young people to give monetarily and through their time, and reached a new target audience.
- We are a city of “Effective Enablers.” Indianapolis has become the host city for a national achievement awards program.



What did we have to learn? What did we have to unlearn?

- We took on a half-million dollar billboard campaign that said, “What goes around comes around” on one half of the board and “Are you doing well, bad, or indifferent?” on the other half. The attitude change was as necessary as an academic change.
- It wasn’t possible for wealth to be created without a seedbed for that wealth to emerge. We have great interactivity between social, civic, and cultural elements, and we understand how these interactions impact the creation and recycling of wealth.
- We had to picture a sustainable forest versus a group of trees, maybe through creating a mechanism for the average individual to participate philanthropically as they would in the stock market.

What was your personal role in the philanthropy initiative? What was the role of your company or organization ?

- Our goal was not to be the biggest, but just be the best. Absolute measurements may not allow us to achieve what other states and areas have achieved, but we challenged ourselves to be the most effective or the most caring, and it resonated with people who want to give.
- Individuals in the United States see themselves as part of a larger community. One of our objectives is to help individuals see themselves in this light and give them opportunities to participate.



Scenario Two. Suppose we decided today to work towards a goal that in ten years – July 2012 -- Indianapolis would be widely known as “the philanthropy capital of the United States.” Foundations, nonprofit organizations, and community development teams from around the world would come to Indianapolis to learn how to improve their own philanthropic approaches. Corporate America would develop its philanthropic business plans with assistance from Indianapolis organizations. Everyone who researches or editorializes about philanthropy would seek the point of view of Indianapolis philanthropic leaders.



What would we offer the national philanthropic community? What would be the organizational structure?

- We envision two distinct, nonprofit leadership organizations: the Center on Philanthropy for research and data, and a second organization focusing on applied research and consulting. The second organization would serve as a national network of for-profit consultants and experts and would offer a 1-800 number to help answer questions.
 - Individual donors and financial advisors call Indianapolis to learn how to make decisions related to personal goals.
 - Start-up foundations, small foundations, governments, and school corporations that need national consulting practices come here to measure performance and become more outcomes oriented.
 - Indianapolis pulls off a number of major relocations, such as the United Way, the Chronicle on Philanthropy, and other national organizations.
 - In every state, we have a Hoosier “alumnus” office, whose role is to promote Indianapolis philanthropy and highlight philanthropic resources in Indianapolis.
- Information connectivity through a technology-driven system that matches volunteers and donors with the city’s needs and creates synergy with service providers.

What kinds of leadership will we need, and how can we organize to provide and attract leadership for such an initiative?

- Our leaders needed to be comfortable with using words such as *motivate* and *stimulate*.
- To become widely known as the effective philanthropy capital of the US, Indianapolis had to give evidence of effectiveness as well as efficiency.

- Who needs to learn and how do we broaden the learning available? Organizations' executive directors, presidents, boards of directors, and staff would benefit from an educational outreach.

For more information and/or to comment on this summary document,
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