

PHILANTHROPY
ACTION

Top of Form

19	e651b8c4585cc4	go/search		10	
	everyw here	all	1		

Analysis, Interviews, and Reviews

Jul 21, 2008

Interview: United Way of America CEO Brian Gallagher

by Tim Ogden (Interviewer)

[United Way](#) is one the United States' oldest and largest charitable organizations. Once ubiquitous, the organization has seen more setbacks than successes in recent decades as demography, donor preferences and technology have all undermined the traditional role of the United Way as a central fundraising organization for local non-profits. Since becoming CEO in 2002, Brian Gallagher has focused on shifting the organization away from this traditional role, encouraging local chapters to define their mission in terms of community impact rather than dollars raised—which, he says, 90% now do.

On May 15th, the organization announced the next step in its attempt to reinvent itself: [“Goals for the Common Good.”](#) The program involves refocusing the organization on three core issues, education, income and health, with specific national metrics for measuring success. While the causes are certainly not unique, an organization like United Way setting specific targets based on publicly available, independently measured data with a defined timeframe for achieving them is definitely outside the norm. For instance, the education goal, which has a target of cutting the number of dropouts by half and includes early childhood education and basic skills for elementary school students has metrics based on the National Assessment of Educational Progress, National Center for Education Statistics and the National Household Education Survey. Since these data sources are all publicly available, even if the United Way fails to report on its progress in achieving its goals, anyone could calculate the measures for themselves.

Recently we discussed United Way's refocusing, the meaning of accountability, and the state of philanthropy in general with Brian Gallagher.

Philanthropy Action: *How did you arrive at these three goals? How often will you report on them?*

Brian Gallagher: We developed these three goals through a variety of methods. We first put together a group of United Way professionals across the country to see if we could get agreement on coming together around a set of metrics as a system. We surveyed local

United Ways to find out what issues they were most focused on. We also engaged what we considered experts from think-tanks, foundations and government in each one of the social issues affecting the country. We took a long hard look at the data that was out there, working with organizations like the CDC and others. And then we asked the American people. We did nationwide research that included focus groups that asked people: what do you think about United Way? What makes us valuable? What do you think are the most important issues that are facing the country? And all those approaches led us to these three issues of education, financial stability, and health. It was clear that what the American people were saying coincided with issues that local United Ways had expertise in. We needed to make sure that if we created a call to action troops in the field could move. So it was by that process that we got to those three issues. We'll report on our progress every two years—because the data that we're using is updated on that schedule.

PA: A lot of non-profits and a lot of money are already focused on education, health and financial stability. Meanwhile there are other issues that receive less attention which have shown equally large declines in the last 10 years. What was the reasoning for selecting core areas that are already so popular?

BG: Clearly a lot of institutions work on these issues and no institution working independently can make significant progress. We are not trying to monopolize these areas and are not attempting to change the way others conduct their work. As the largest non-profit in the United States, we have to work with the issues that are most important to the country. These three areas are the building blocks of a healthy society.

We think United Way brings something important to the table on these issues. We have built a diversity of relationships that few organizations can match. We work with non-profits, government agencies, organized labor, businesses, white people, people of color, women, young people, seniors, faith-based organizations—everyone.

We could have chosen other goals. We could have worked on truancy, we could have worked on early childhood development, but we felt that those are really strategies to achieve the ultimate goal of graduating more young people. We could have chosen affordable housing but the reason to pursue affordable housing is to provide families with greater financial stability. We wanted to make our goals super-ordinate—goals that were not just part of a problem but that captured the heart of the problem.

PA: The other way of looking at such big goals is an argument that Bill Easterly uses in his critique of foreign aid: big goals are a way of avoiding accountability because no organization can be expected to reach them. From Easterly's perspective, accountability would be improved by setting smaller, short-term goals that are specifically related to the activities of a particular organization, and therefore more would get done.

BG: I understand that argument, but I don't agree with it. Over the last 25 years I've watched many organizations set programmatic, institutional goals. If improvement was directly correlated to the number of non-profits working on the problem, with the

increasing amount of non-profits in the last twenty years, we would be a lot further ahead than we are. I find incremental goals will get you incremental results. The fact is that small goals aren't going to drive the amount of change necessary to deal with the issues we are now facing.

You can make the point that folks can hide under big goals, but you can also draw the opposite conclusion. In order to create real change you have to declare a magnitude of change over a period of time and you have to do it publicly. And those goals have to go well outside of your institution. And so you are, in some ways, taking a risk in terms of holding yourself accountable to goals you can't achieve on your own.

“One of the reasons we made this challenge...is that we have been around for 120 years and we needed to bump ourselves out of our own inertia.”

There is a challenge of institutional inertia. That inertia is so pervasive and so strong that to knock institutions out of that you have to have leadership that calls for the kind of change that is required and holds folks accountable. One of the reasons we made this challenge not just to the country, but to the United Way system is that we have been around for 120 years and we needed to bump ourselves out of our own inertia.

PA: Let's talk about what accountability means for the national United Way. Given that achieving these goals will require more than just the United Way and that the local United Ways are making the actual funding decisions, what does it mean for the national organization if you don't meet the goals?

BG: We should be judged as effective or not effective based on whether these metrics move in a positive direction or not. These goals were not just a call to action for the country, but to the United Way system as well. While United Way of America [the national organization] can't directly impact funding and spending for local United Ways, we can help get the local United Ways all moving in the same direction. When I started in this job one-half of local United Ways defined their primary objective as fundraising and one-half defined it as community impact. Today, 90 percent of local United Ways define their objective as community impact. We are not focused on a fund-raising federation mission anymore. To help the local United Ways move together, all of our training, all of our conferences, all of our national development, all of our partnerships will focus on these national goals.

We don't have to, and I don't think it's good for us to dictate funding decisions at a local level. The local United Ways function as social laboratories. That allows us to go look at what's working in Tampa, what's working in Chicago and what's working in LA and spread it across country. The greatest positive of a decentralized system is innovation.

PA: Are you going to be tracking how well you are doing getting local United Ways to adopt these goals and track these metrics on a local basis?

BG: We will. We'll look at goal setting and strategy development. We'll look at how many local United Ways have adopted these three goal areas and how many have strategies with these metrics in place. We'll have a reporting system that comes from local United Ways to United Way of America regarding progress against community level metrics.

PA: One of the general trends in philanthropy is donors looking for a more direct connection between their giving and what is being accomplished. What is United Way of America doing as a whole to help better connect donors to the outcomes of their donations?

BG: We see the work in each one of these areas as a step to creating investment-type products. Historically we've treated donor designation as a four letter word. Still, the amount of money donors were giving to United Way with instructions for the donation to be given to a specific charity went up for thirteen years in a row. That trend stopped five years ago when we started creating products around issues. The amount of money donors are investing in these issue products is going up and the amount of money that is simply passing through a local United Way has leveled off and is now dropping.

I think that's because we've learned that every gift is donor designated. We had to start asking, "What does the donor care about?" It's a new business model for us. Identify the issue, create the strategies, turn them into products, understand your donor segments and connect the two. So for a donor who cares about increasing graduation rates you want to connect the donor to more information about it, but more importantly how to get their money focused on that goal, how to volunteer effectively, how to advocate on behalf of it at a local, state, or national level.

PA: Given that, what would you say is the recommended way for high net worth donors or family foundations who care about these same issues to work with United Way?

BG: The way I think about it is a co-creation process. You're not going to get United Way to change its whole strategy, but the way to connect is for a donor to research what United Way is working on in the community. Then we can think about how to partner with United Way, and to take advantage of United Way's infrastructure and its partnerships and other resources to invest together on these issues. That would mean having a really serious conversation about strategy for increasing graduation, for instance. What are the metrics going to be, how would an investment be used, how can an investment be leveraged with other investors, how can the donor be actively involved in it.

I used to run United Way of Central Ohio. A couple who is very interested in education has started a really innovative education program in Columbus and came to visit us last week. The couple basically came to the conclusion that children from families that are financially unstable do not achieve well in school. They had a strategy that deals with the financial instability of families and tying it to the academic metrics. They wanted to expand the program they started across the country. We talked to them about their goals,

how involved they wanted to be, what their strategy was. It was the perfect fit for us because it was essentially a strategy conversation about dealing with these central issues for America at both a local and national level.

PA: Another one of the broad trends in the sector is a general erosion of trust in non-profits. That erosion of trust seems particularly acute for some of the large, historic organizations like United Way, the Red Cross and some of the most recognizable brands in charity. Do you see that as an overall trend in the sector and how does United Way combat a broad erosion of trust in the sector?

BG: It is clearly a trend. I think it's driven by a few things. One is just the size of the sector. It's gotten so big that it has become less personal for most people. We have also, over time, professionalized the non-profit sector dramatically which creates a different feel for many givers. Professionalization isn't purely good or bad, but it feels less like charity for some people. A third factor is that, for all the growth and professionalism, the sector isn't achieving the results that people expect.

“[F]or all the growth and professionalism, the sector isn't achieving the results that people expect.”

The way that United Way is dealing with the trend goes back to one of the central things about us: we can be both big and small at the same time. We understand that folks view United Way as a single organization in most cases. But if we can get the experience for most donors to be local then you have a better opportunity to build donors' trust and confidence in your work. We do a lot of research on this issue and the results are very clear. Trust and confidence of donors goes up when we're working on things that donors care about, when we communicate what we are doing, better yet when we involve them in what we're doing, and better still when we can show progress. Local United Way organizations that are executing against this model have better revenue, trust numbers, etc. So we are getting very focused on the relationship management process to keep those relationships local as much as we can, but tie them to the issues because that's what drives trust and confidence.

PA: There are some early warning signs that because of the economic situation, charitable giving is going to be falling this year and perhaps into next year or further. You've seen several economic cycles in your time at United Way. How do you plan for a situation where donations are falling when needs are growing?

BG: There's no question that the greatest predictor of charitable giving is economic growth. In a down cycle, basic human need causes become more visible and therefore there is an opportunity to direct donors' attention to those issues. That means that others in the sector that don't deal with basic human needs run a greater risk of losing support and gifts. Those that are trying to direct dollars to human need are generally more successful in that environment. What's different about today's economy is that the gap between rich and poor has changed so dramatically that there is a significant segment of the American population that has a lot more resources. The question is, “Can you get

high net worth individuals, foundations, and others to increase their support in a down economic time?”

Our plan is to take today’s reality and make a case for why support needs to come into health, financial stability and education. Then we have to find where there are resources, in many cases growing resources, and direct them towards this agenda. But I think overall the next 12months are going to be a very difficult time for the sector in general.

PA: While you note that historically basic human needs issues do better during downturns than other issues, right now the hot topic in philanthropy is global warming. Many people, including foundations large and small, are saying that there is nothing more important than global warming. They suggest that global warming will undermine progress on any other basic human need issue. Is that something you’re concerned about—that global warming will draw dollars away from basic human needs?

BG: Let me first say that in my view the greatest threat to civilization is growing disparities of income and opportunity between the haves and have-nots. No civilization can withstand the kind of disparities we are now seeing in the global community. Having said that, as time goes on it is going to become clearer that the health area is going to include the environment. United Way and many others are very concerned with access to health care and health insurance in the U.S. Increasingly, though, more Americans will define the health crisis not only in those terms, but in environmental terms. The environment is going to become a human need issue. Right now we tend to think of the environment as a completely separate sector from education, income, health, and those types of issues. I think the walls there are going to break down because the environment will have a much more direct impact on people’s health and income.

PA: One of the constant debates in the sector, or at least around the sector, is around the tax incentives for giving and particularly, the 5 percent payout rate for foundations. Many argue that 5 percent is not sufficient and that we need an overhaul of charitable giving tax law and regulation. What’s your perspective?

BG: I think we need to put this in a larger context. The fact is that the social contract in the U.S. was built for the old economy. The national industrial economy created opportunities for folks of all different educational backgrounds and training. The government created the safety net and non-profits were a method for voluntary association and to fill the gaps government didn’t meet or just help people temporarily until they got back on their feet. The modern global economy is completely different, particularly in terms of the disparity between rich and poor. The government, in my opinion, has abdicated its role as a safety net and turned it over to communities. So basically, the question is what is the new social contract that is appropriate for this new era?

“What is the new social contract that is appropriate for this new era?”

I get very concerned when the debate immediately goes to taxation and Congress gets involved and so forth. First we need a discussion on what is the right social contract, what is the role of government, what's the role of private philanthropy, what's the role of the business community and so forth. And there is no doubt that the redistribution of wealth in the country has to be discussed. So we need to decide what the roles of government, private citizens, and businesses are in creating opportunities that are broad enough that we can succeed as a society. Only after that conversation can we have a worthwhile discussion of what the right tax policy and regulations are for charitable giving and foundations, as well as other parts of the philanthropy sector.

PA: Since you raise some questions about the social contract and some fundamental societal issues, let me turn back to your three goals. I wonder if the goals are not radical enough in a society that is changing as much as ours. Take education for instance. Shouldn't we be asking whether the historical models for high school and college are fundamentally broken? High school and college as we have them today were created in a very different time. While we can talk about competing in a global economy we seem to have abandoned vocational and technical training. College enrollment is at an all-time high in the US but we also know that there's a huge problem in education. Do you think we need to fundamentally rethink the education system?

BG: I think that your premise is a good one and quite honestly I am not smart enough to know whether the education system is broken or not. Maybe the problem is the system in and of itself, or maybe it's the players inside of it, or maybe it's that the expectations of our system have not adjusted to the right level. So getting some high level thinking of how we best prepare our young people for today's economy would be worth it.

But until we get citizens and individuals demanding change in terms of how we prepare our young people and how we create opportunities for everybody in this economy we just won't get change. This relates not only to education but to all three goals we are working on. We are committed to getting people involved in the process because money alone won't fix our problems. I'm not trying to ignore the question, but I don't know what the viable alternatives are. I do know that if we don't get individuals involved in demanding a different outcome, we won't imagine it either. We have to create demand around education, the environment, financial stability, around health access if we are going to make the kind of changes that are going to be required.