



Social Investment as a Way of Bridging Gaps: A Special Role for People of Wealth

By Peggy Dulany

A Speech to the Bankers Trust Wealth With Responsibility Conference
October 28,1997

I'm going to ask your indulgence a little bit today because I'm going to make a confession. Today I'm passing the half century milestone. So as those very few of you in the room who already experienced this perhaps know, getting here leads to a certain level of reflection. So I am going to take the liberty of crossing back and forth between the heart and spirit (or right brain) on the one hand, and the mind and beliefs (or left brain) on the other. Not that there necessarily has to be a divide between these two.

I am going to begin on the heart /spirit plane, picking up from the experience that we had in the small groups yesterday. I will read to you one poem now and end with another, following in my colleague Peter Karoff's footsteps. Why did I choose these two poems? I have sensed that a lot of us here are struggling with the fact that sometimes we're in stormy weather and other times we're in peaceful waters, in terms of the image that confront our lives. So I'm going to begin with a stormy one and end with a peaceful one as way of getting into the subject at hand.

Storms blow through the valley in and out,
inside and out they rage and cease. Reflected
in their dramas are the rainbows, storm clouds,
misty mornings, snatches of the moon
between eruptions of the caldron's boil.

The other night an earthquake hit, rocking
me to the core with its intensity.
It struck home on a cloudless night before
the storms when stars were crowded on the mountain
peaks like coyote's eyes alive and breathing fire.

The wolves were out and sang out loud
in celebration of the madness it
inspired. No lives were lost but one,
at least was cast adrift across the golden
valleys of September dazed and reeling
through the sloping meadows, surfing the ridge
tops with their eyes.

The after shocks went deep
into the fabric of the earth, changing
the seasons to a different mix with greens
and grays contrasted with the lavenders
of no time known before. The new horizon
showed a path where lost souls could be found.

It wound up through the valley floor, of finger's
touch caressing contours of the mountain's
cheek, tracing its course unseen across
the timberline and on amid the season's last
display of Queen Anne's lace, wild asters,
burnished meadow grass. It smoothed and smoothed
its way through passes to the very top
from which the view was clear. The destination
still unknown but heading through a valley
so pristine that any course would lead me home.

The first thought that I want to leave with you today is that sometimes out of storms comes the sense of a new path to a destination that we not yet know.

Switching over for a moment, there are three hypotheses I want to pose for you today: One is that bridging gaps, the gaps that divide us, is a fundamentally necessary way of approaching problem solving in our complicated day and age. I'm going to talk some about what I mean by bridging gaps and what some of these gaps are.

The second hypothesis that we individuals of wealth have a special access and capacity for bridging gaps. Those of us lucky enough to have either earned or inherited or married into wealth have a particular access, education level, connections and resources to apply to this task of bridging gaps.

And thirdly, social investment is a particularly useful mechanism for bridging gaps and in which people of wealth are particularly suited to play a role.

To make this concrete, let me illustrate this point by example. I want to take you on the trip to Zimbabwe that Roberto, Mizrahi, Peter White and a few others took.

One of the purposes of that trip was to work with a grass roots organization called ORAP (Organisation of Rural Associations for Progress) which is in the western drought-prone area of Zimbabwe, where agriculture is simply not going to be a sufficient source of income anymore for the people who live there. The very creative leadership of this group had been thinking for some time, in conjunction with us and others, about what could be an alternative source of income.

Given that tourism is probably the biggest source of income for Zimbabwe, one of the things they thought of was, well, we see all these tourists going by on the road to Victoria Falls. Isn't there some way we can hook into that to generate income for the people in the villages with whom we work? But tourism of a different sort: tourism whereby both groups are learning and benefiting; whereby we can preserve our cultural values at the same time as we can generate new income.

We invited Peter White and Ralph Taylor to come with us, and we made ourselves pilot tourists, going with them to the sites that they had chosen and talking with them about the kind of tourism program they would like. This turned out to be quite a useful function for the development of the program because some of their ideas I don't think would have flown with Western tourists. We were able, as guinea pigs, to give feedback in a context which wasn't insulting. By evaluating the sites, thinking through a financial plan of how they might actually develop the process, and ultimately thinking through an investment plan of how they might put it in place, we were able to add value.

To me, this is a wonderful example of people of wealth using their skills and the money it took to get there to work with a local group on an idea that could eventually help that group become completely self sustaining. And Peter intends to carry this forward by taking other Americans, or a group of people who are committed to service and who really want to make a difference.

An important contribution that can be made by Peter's group, is to give feedback on how this tourism program is working for us as tourists, so that then when they market it to a wider audience, it will work. The gaps that they can help bridge include between the north and the south, between tourists and the local villagers, between the local culture and the culture of those who come to visit. And between the innate knowledge and understanding that the villagers have, on the one hand, and the kinds of skills and information that the tourists, or at least the pilot tourists, can bring to the development of this program.

In terms of the special access that I think those visitors, and in particular people of wealth can bring to this, first, we are tourists in various moments in our lives so we know what we like and we presumably will also know what others will like. Secondly, because we're educated, we will have one or more of the skills that people in local communities desperately need in order to implement a program like this, in order to bridge the gap to the market which, I would argue, is one of the fundamental needs for local communities. So whether it's skills in marketing, or planning, or budgeting, or accounting, these are the kinds of skills they lack that we collectively have and could bring to the table. And, of course, if we get excited enough that we decide to invest in program, the financial resources are also there. But I want to emphasize that when I talk about social investment it's not only the financial resources to which I'm referring, but these other skills as well. Finally, because we're well connected with other people who could be potential tourists, we become a source of referral for other people to come on this program.

Now, of course, in terms of the social investment dimension, most tourism agencies wouldn't invest in an idea like this, partly because the way ORAP, was presenting it was not as a business plan. So it takes a special kind of orientation and group to be willing to help them translate that into something that is, in fact, a business plan. And we, by the way think this is going to be very profitable. The challenge is to help get it to the point where it is worthy of normal investment, at the same time, knowing, (and this is part of our motivation for doing this), that it's going to have a major economic impact on that community's economic development.

Now, I want to talk a little bit about this concept of bridging gaps as a different way of framing what's already happening in the world. Let's look at some of the gaps that exist: between rich and poor across, sectors within societies, between people who do or don't have access to information, technology, education, credit, between the north and the south, across ideologies, and between ethnic groups and religious beliefs.

Sometimes these gaps exist in the form of overt conflict or war, and other times they exist more as tensions and working at cross- purposes. I do not believe that there are not enough resources to solve the problems. It is simply that some resources that could be applied to solving these kinds of problems aren't being allocated there. In other cases, where resources are being applied, one group will be applying some here and one group there, and they're literally working at cross-purposes so they're canceling each other out, thereby working the resources. So the issue is marshaling those resources that do exist so that they are working in concert with each other, and so that they're leveraging other dollars that aren't currently being applied to the problems that we're talking about.

When Jim Wolfensohn came to the World Bank, he said in his first interview that everybody thinks the World Bank is so enormous and has so much money. But if you look at it in comparison to the capital markets, it's absolutely nothing. It's a drop in the bucket. So our task, he said, is to try to attract those resources of the capital markets to those markets where they're currently not flowing. I thought that was a wonderful way of talking about both leveraging and also bridging gaps between the capital markets and those areas of the world where the resource pool is too small.

How does bridging work? I want to talk about this at three different levels. One is in terms of what I call bridging individuals, which I think we all either are, whether we know it or not, or have the potential to become. Then I want to talk about bridging organizations and bridging mechanisms, which sometimes is the same as organizations.

The way I see it, each of us as individuals has a group of contacts that's probably quite broad; and they're not all identical or homogeneous. In some cases, those contacts, with people who trust us, may not be in agreement or working in the same direction as each other. But very often by virtue of trusting us, bridging individuals, we can bring them together or create a safe space within which they can come together and work toward a common purpose. In that sense, we become the bridge.

Obviously, no one of us has all the contacts we need to create the kind of chain effect that you need to really solve a problem. What we need to do, therefore, is create chains of trust: for

example, Manolo in Mexico has tremendous credibility both with the Mexican business community and with the nonprofit community. I'm from the north and sometimes it's useful for him as a Mexican business leader with a social conscience to have American business leaders come in and say, "This is the way we do things; it's worked quite well for us, and maybe it would work for you, too". He and I have formed a chain of trust. We're two links in that chain spanning from the American business community to the Mexican business community to the Mexican non-profit sector. Given both NAFTA and the importance of U.S. Mexican relations, having ties across these often conflicting groups is largely useful and could lead to a more concerted approach to poverty problems in Mexico and as a result, a better business climate.

We as bridging individuals need to be cognizant of which connections do we have and which we lack. For the ones we lack, we need to think who we know who could help us make the necessary connections. Sometimes it will be two or three links. For example, there are other people in Mexico whom Manolo and I both know, who may have better contacts than we at the grass roots level. We might then link with that person to create a larger chain of trust that eventually goes all the way, whether from the grass roots to the power structure or across sectors or countries. Thinking about the gaps in this strategic way is an important component in turning ourselves into bridging individuals.

Maybe it would be useful just to say a few words about how I came to this way of thinking, in terms of my own experience. Maybe it's because I'm a middle child, but I think I've always been someone who by nature tries to bring people together by nature.

But this did not come to me as a conscious strategy until about 1982. There were two instances between '82 and about '87 that made me focus on this as an approach for my life. They are strange but interesting stories so I'll tell them to you.

In the first instance I had gotten very involved in the anti-apartheid movement in South Africa, and had gone to see Oliver Tambo, who then President of the African National Congress, since deceased. He was actually senior to Nelson Mandela. In the course of that interaction, not quite knowing how to start the discussion, I started with an awkward joke, saying, "I'd really like to help but I assume you're not looking for me to join your guerrilla forces."

He laughed and said, "I certainly am not, and I also don't want you to get arrested in front of the South African Embassy. We've got plenty of people who can do that. What we don't have is people who can help connect us to the business community, because until the business community internationally begins to take us seriously, it's going to be very hard for us, an exile movement, to bring about the change that needs to happen in South Africa."

I was working for the New York City Partnership at that time, which had on its board the CEOs of a lot of the major companies who were dealing at that time with disinvestment from South Africa. Two of them were John Akers of IBM and Jim Burke of Johnson and Johnson, whom I had gotten to know quite well. I remember John Akers telling me he was spending 25% of his time on the disinvestment question.

In conversation with Oliver Tambo, he said what he'd really like is a meeting with the U.S. business community. Because of my contracts with both the ANC and U.S. business leaders, this was possible to arrange.

The second story is still more offbeat. I had had the chance to go Cuba and had visited a couple of times, meeting Fidel Castro on several occasions. One day I was supposed to meet with him and several other people, he approached me ahead of time to say that he wanted to meet me without the group to discuss Angola. When we met, he said, "Right now the U.S., South Africa and Angola are in conversations about ending the civil war within Angola (of which Savimbi Unita was being supported by the South Africans and Des Santos MPLA was being supported by the Soviets and Cubans, with numerous troops in Angola). He said he didn't think the war could be resolved without Cuban participation.

He went on to say that he would like to ask the U.S. Administration whether they would agree to have the Cubans join the dialogue, and to ask whether I would undertake doing that. As you know, there's almost no communication between the Cuban government and the U.S., so I said, yes. When I then flew back to Miami the next day to try get these meetings, I called my father in Maine, who fortunately wasn't off cruising or off on some business, and told him the gist of this on the phone. He happened to be going to Washington the very next day for meetings with the exact three people whom I had thought of to approach, and he asked me to join him. This is an example of a case where sometimes people of wealth have connections that make it easier to be a bridge. Certainly, it made it a lot easier than if I had been trying to get to those three people myself. The end of the story is that we had the conversation, the U.S. representatives were fascinated, and ultimately agreed that the Cubans become part of the negotiation.

I then sat around and waited for a while for more of these things to happen and nothing else has ever happened of that sort. So one lesson I would take away from this is, that if something like that ever happens to you don't expect to be able to craft your whole life out of those kinds of events!

I later founded the Synergos Institute, because I realized that it is not possible for an individual to do more than very fortuitous and isolated things like that. Ultimately, if one wants to take on bridging as a serious activity in one's life, one probably is going to need some sort of infrastructure, not necessarily one's own, but some sort of infrastructure around one to help make it happen in a more concrete way; in other words, a bridging organization.

Before leaving the bridging individual theme, however, I want to raise another example that is more pertinent to social investment. I was talking with Luisa Pulido the other night about the microcredit program that she's been working with for a number of years and which she is now turning into a bank. This is not a coincidence that this is happening. This is as a result of her being a bridge and a bridging person.

Through her work, she has earned credibility with the nonprofit organizations in Venezuela, that she already has with the banks because of her own background and family connections. She was able, therefore, to convince the bank to enter the microcredit field, doing the part that they do well, which is lending, but in this case, leaving to the non-profits the part that's too expensive for the banks to do, which is screening and training clients. Her ability to get them to work

together, in my view, is a fabulous example of both a bridging individual enlisting institutions to bring them together to work, to work together.

I heard another example yesterday from Tom McCaslan, who is starting a community foundation, or a set of community foundations, across Oklahoma. I happen to think that community foundations, and foundations in general are a wonderful form of bridging organizations, because they lie somewhere in the middle of the gap between rich and poor. I am sure there are lots of other examples that you can think of from people in this room, of creating a safe space in which people can come together.

Universities are another good example of bridging institutions. That's not to say that almost any type of organization cannot act as a bridging organization, but it's not usually in their mandate. And unless the leadership supports it they don't normally play such a role.

I want to also highlight the role of bridging mechanisms, which I see as slightly different from bridging organizations, and to focus now back on the social investment arena.

I believe that social investment is a bridging concept. That is to say, it uses the concept of the market and the notion that people want to get a return on their dollar, but brings that together with social conscience and consciousness of the idea that unless we do something to improve the circumstances of the world our investments aren't going to do very well anyway in the long run. Therefore, we ought to be thinking not only about the well being of humankind but also about our long-term self-interest. The argument follows that we should allocate at least a portion of our investment portfolio, not just to whatever looks the most profitable at the moment, but to efforts that are, yes, going to be profitable but at the same time are going to produce a social return.

There are some more passive forms of social investment, as described in the primer you all received, such as screening out from one's portfolio companies which produce products harmful to the environment or which have poor employment practices. But I'm going to focus today on more active examples and on three types of activities of social investment that I think have real promise. I will give a couple of examples of those.

The three types of social investment bridging mechanisms I want to mention are community foundations, microcredit funds and local venture capital funds, each of which represents an excellent way of bringing together the financial and the social ways that I think really make a difference in bridging the gap between rich and poor.

The first example, which related to all three mechanisms is the story of how women in Ecuador became economically self-sustaining and created better living conditions for their communities with the help of foundation grants, microcredit loans and venture capital investment.

Panama hats, paradoxically, are woven in the southern part of Ecuador, in a mountainous region that is environmentally degraded because it has been over-farmed. 80% of the men have left the region to seek work elsewhere. But it is the women who have traditionally woven these very beautiful hats.

For years they were buying the straw for the hats from middlemen and then selling the finished hats back to the same middleman. Buying expensive and selling cheap. So there was almost no profit margin.

There was a very smart priest living in the area who saw that there was something wrong with the system and that the whole dynamic of the region could be changed if the women could buy cheaper and sell more at better prices. He also perceived the need for them to improve the quality of their products and its marketability in terms of fashion trends.

So he approached Fundacion Esquel Ecuador, a national community foundation, which made a grant that enabled the priest to provide training courses ranging from weaving skills, to accessing market information about what kinds of hats were in demand. To skip over several stages, the women formed a cooperative of 1200 hat weavers with an extraordinarily able leader, and they began to produce more and better. They were provided access to the Internet and to groups in Europe who buy products from Latin America. A year ago they sold 6,000 hats directly through the Internet to groups in Europe, no longer through the middleman. Now they buy in bulk, for much lower prices. Already the income of each member increased substantially. And it was no longer necessary to provide them with grant money.

The foundation, with initial support from the Inter American Development Bank, started both a loan facility and a venture capital company, joining forces with three local banks. So now they are able to “graduate” successful ventures like the hat weavers to other sources of financing, which is eventually returned to the foundation for reallocation.

As for the women they felt so empowered and so excited at what they were doing that they began to think of other ways to increase their income. They realized that they were not fully utilizing the space at their weaving center. So they decided to rent out part of it for training workshops and to start a catering business to provide food for these groups.

And then they said, hey, the priced food at the stores in town is too expensive. This isn't fair. Why don't we start our own grocery stores? So they started four grocery stores in the region for which they buy and sell and the prices are lower. The people are better off and more people are employed. If this keeps up, the men could actually come back.

To me, this is another really exciting experience and example of an instance of bridging across multiple levels.

The second example of a bridging mechanism is the Bankers Trust microcredit fund. Bankers Trust, largely through Gary Hatten, has had a lot of experience in community development. One of the areas of need they identified was for more access to microcredit.

So they reached out to their private banking clients and others and to say, would you partner with us in creating a fund? They use their banking expertise to choose the most effective organizations to apply microcredit, and also to provide the kind of banking technology that a lot of microcredit programs don't have.

In turn, those organizations that get the loans from the fund pass them on to individuals or groups of micro entrepreneurs. So again, this creates an incredible chain of trust that goes all the way from small micro entrepreneurs in many countries of the world, all the way up to a huge bank and its clientele. This to me is a wonderful example of a chain of a bridging mechanism.

I want to end with one last example about social investment and ways that people like ourselves can get involved. On a trip Ecuador last July, we went to visit a number of the programs that the Esquel Foundation and venture capital fund had been investing in or to which they have been making grants. As a result of that, I bought a lot of products that some of these small entrepreneurs have been making. Two of them were in the gift you found in your room. One was the candies and the other was the embroidered card. Those are made by local groups in Ecuador that venture capital investment has been supporting to grow.

I want to tell you the story of the candy makers, because apart from being a really nice story, it is also a good example of the kind of effective social investment that helps to bridge gaps.

One of the objectives of the Esquel Foundation in Ecuador is to help youth become productive members of society. Between youth and older people a serious gap is growing as employment diminishes across the world, because it's often younger people who are having the harder time getting jobs. Then of course, they lose hope and don't see the pay off in becoming constructive, productive members of their communities.

Esquel staff went to the university and told the students they would invest in the five best proposals for entrepreneurial initiatives. One of the winners was a young woman and two young men who had noticed that the wonderful art of making traditional candies was dying out. All of the producers are small family businesses that out of their kitchens.

These young people had the idea of marketing the candies beyond the corner store and on the streets of the poorer sections of Quito. They thought if they could package them in a way that would be interesting for tourists, it could really make a viable business both for themselves and the producers. These 21 year olds spent two months tromping the streets of Quito searching for the producers of these candies. They were hard to locate because they sell them to the owner of a corner store who then wouldn't want to tell the young people who the producer was for fear that they would lose their suppliers. Eventually, however, the young people found and convinced several producers to sell to them. With investment funds from Fundacion Esquel, they were able to set up a small packaging operation and initiate a marketing effort, which has resulted in the products being sold in much greater volume.

Again, the foundation acted as the bridging mechanism. A foundation identified the youth; they went and found the candy makers. Through their joint energy and skills they were able to produce something bigger and better, create a synergy. Synergos then entered to extend the chain of trust by a link or two.

One of our board members, Kim Johnson, who was at this conference last year, came on the trip with us and got so excited by the possibilities of this initiative that she volunteered to play a role in marketing the candy outside Ecuador. She has a friend in Florida who sells handcraft products made in Latin America. She put the producers in touch with him, through the

foundation's venture capital group, and he will now sell the candy out of his store and by mail order at Christmas. No one said this process can happen all at once. It is community by community, business by business. We may each be able to have a synergistic effect and affect 100 businesses or 500 business or 1,000 businesses, but no one will solve the whole world's problems all at once. But if each of us engages in this kind of bridging I believe we can begin to make a difference; and the more people become involved, the bigger the difference will be.

Now I want to switch back from the head, (even though I have been talking out of my heart during these remarks), and end with the following thought. I'll say this by way of personal observation: I have been working at these issues for 15 years non-stop, in very driven way. At a certain point I really realized that putting in that half an hour more a day or 5% more energy than I thought I could give, is not, in fact, going to make a difference. There is an element of synchronize city to the success of these ventures which requires stepping back from the daily fray and even letting go a bit. Amazingly, when we can do this, and operate out of a place of stillness and peace within ourselves, the outcome is often unexpectedly better. So the thought I want to leave you with is that in addition to defying your values and deciding your priorities, leave some space for your heart to be at peace. You will be more effective.

This poem is called High Tide

The tug is equal at both ends;
The sucking of the moon on earth
has destined us for ebbs and flows.
Each has its beauty:high and low.
But my heart fills each time
the rising tide has reached its peak,
lapping pacifically at the lull
against the highest water mark,
filling the clam flat bays,
lifting the seaweed in its gentle sway,
pausing a moment in the glow of dawn,
Or icy winter crusts of sea ice decorate the shore,
or stillest midnight moon dark nights or now:
full summer, early Sunday afternoon, when no one stirs.
The wind is yet to rise and I
Imagine, in the space between
the ocean breaths, this stillness
stretching on.