

NEWSMAKERS

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Brian Gallagher, President and CEO, United Way of America

Few charitable organizations in the United States have the name recognition of the United Way. With more than 1,300 affiliates that collectively raise around \$4 billion each year, the United Way of America oversees one of the largest charitable systems in the country. Throughout its history, it has been known as an innovator, carving out its niche in communities first as the Community Chest, then as the organization that helped people "give at the office" through its workplace giving campaign, and later building its brand through commercials during National Football League games.



For those who came of age during the early 1990s, however, the United Way's reputation became sullied when its national leader, William Aramony, was found guilty of twenty-five charges, including conspiracy to commit fraud — a scandal that affected the system's fundraising for years.

Not long into his tenure as president and CEO of the United Way of America, Brian Gallagher faced news that the former head of the United Way of the National Capital Area in Washington, D.C., was accused of misdeeds that harkened back to the Aramony era. Aware of the tumult that had ensued in the early '90s, Gallagher was quick to respond in D.C., and his response helped contain the situation. It also helped cement his reputation for raising the bar on accountability, governance, and transparency.

Brian Gallagher, a veteran of the United Way system who began as a management trainee in 1981, has spent his career supporting the work of health and human service organizations. He has served at several regional United Ways, including Winston-Salem, North Carolina; Reading, Pennsylvania; Providence, Rhode Island; Atlanta, Georgia; and Columbus, Ohio. As president of United Way of Central Ohio in Columbus, he gained first-hand experience in community building by creating the successful Family Housing Collaborative, which works to break the cycle of homelessness by helping people obtain low cost housing, day care, and job training.

Recently, Philanthropy News Digest spoke with Gallagher about the changes he has overseen in the United Way system, which has seen the consolidation of several small affiliates into larger organizations, which have also refocused their mission to have the greatest impact on community needs. In addition, Gallagher spoke about how United Ways have reshaped their message to local donors — both new and consistent donors — while working to build a consistent experience for potential partners such as major national foundations.

Philanthropy News Digest: It seems that even before you became national president and CEO, the United Way was a system in transition. Perhaps the most significant shift during your tenure has been the community impact effort. What has that involved and how has it changed the United Way system?

Brian Gallagher: There were a number of local United Ways that were already making the transition on their own, defining the business of changing community conditions and outcomes in people's lives, before I came into the job. To rally the entire movement behind that new mission, we spent probably the first eight to ten months of my tenure just making the case for why local United Ways and the United Way movement should get back to what really was the genesis of the United Way, which was trying to galvanize individual interests in communities around a common agenda focused on human need and potential. During the media events early in my travels around the country and working with our corporate donors and others, we were making the case for the need to go in that direction. Once we got consensus on it, it made the execution much smoother.

PND: Did it take longer than you expected to gain traction?

BG: I was actually incredibly surprised at how fast it happened. In fact, we at United Way of America were taken a little short because we didn't think we were going to have to be delivering training and services and developing national initiatives around the new direction within the first year. But within six to eight months we had gained traction in the field, and we found ourselves having to rally to get product and services out the door in support of the new direction.

PND: It must have been especially difficult, as you were still building your team.

BG: Yes, we were still building our team nationally, but I had spent my whole career at United Ways, so I knew everybody around the country. The challenge wasn't simply getting United Way of America to provide new services, it was getting local United Ways connected with each other and exchanging best practices. We spent a lot of time doing that in the first year because, while we had good practices out there, we needed to accelerate how folks learned from each other. By my second year, we had Mike Brennan, now the CEO of United Way in Detroit, heading the community impact program, and we started holding webinars and using the Internet and other technologies to exchange information. We did it kind of out of necessity, but now we've institutionalized it in such a way that it's changed the way we communicate and learn as a system.

PND: Is the emphasis on new technologies a challenge for smaller United Ways?

BG: The Net is such an open space now that you don't need a lot of technology capacity to participate in a webinar — all you really need is a high-speed connection and a telephone. We have United Ways of all sizes that take part, and we've begun to do them internationally with our affiliates outside of North America. One of our trustees, Bill Parrett, who just retired as CEO of Deloitte [Touche Tohmatsu], wants us to upgrade the technology even more and expand our teleconferencing capabilities, which, I agree, will be challenging for some of our smaller United Ways.

PND: Outside of major cities, has it been a challenge to get traction for the community impact agenda at the local level?

BG: Even though there's a lot made of our decentralized nature, I think the local United Ways were looking for leadership around the community impact agenda. The challenge is that "community impact" as a mission is more difficult to communicate than "fundraising." We had drifted into defining ourselves as a fundraiser — not consciously, but when we said we were "one campaign for all," it was easier to communicate and understand that than the idea of changing conditions at the community level by focusing on the common good. The challenge on the ground has been figuring out how to get historically funded agencies to change. Obviously, they have a vested interest in the old model. We also saw other funders locally who would have preferred United Way to stay where they were. But donors are driving the change because they see our community agenda aligning with their own agendas.

PND: Are these new donors, or are they longtime supporters of the United Way system?

BG: Both. What has been very clear to us is that our relationships with the one hundred and thirty Fortune 500 companies whose campaigns we manage nationally — what we call the National Corporate Leadership Program — has clearly become re-energized because of our new direction. We now can talk to them about issues around education and health access and financial stability. We're aligned better with what they want to do. Plus, I think the idea of running a campaign for anybody was starting to lose its appeal. The fastest-growing donor cohorts in the United States today are women and young people, and our research clearly shows that these segments are much more oriented toward issues than toward agencies. They are much more collaborative in nature, they want to work on big things and big ideas, and they want to do it together.

PND: Are you talking about giving circles within the United Way system?

BG: I am. In fact, they were first established at the national level four or five years ago, and by the time we reach the end of the 2007-08 campaign, there will be more than a hundred of them around the country accounting for almost \$100 million in giving. Our Young Leaders societies are growing very quickly as well. But while they were organized as "giving societies," they've gotten more active on issues. The Women's Leadership societies are focused on early childhood education and are also doing a lot of public policy work and a lot of asset building work. They're more activist than our deTocqueville societies, which essentially are fundraising groups. But whether they're inclined to activism or not, these new societies are driving the change in a lot of United Way communities around the country.

PND: Does the focus of these issues-oriented groups ever conflict with some of the issues local United Ways are looking to focus on?

BG: Not really, because potential conflicts get negotiated. Our affiliates know that they should not work on something just because a donor tells them to do it. Instead, they should try to create alignment between what they're working on in their local communities and what donors care about. You can almost always find an intersection. Part of the problem we had in the late '80s and most of the '90s around open donor choice — where donors can designate which agency or agencies to fund rather than make a gift to the broader community fund — was that we allowed almost any gift to pass through us without considering its strategic implications. Now that we have a much clearer point of view about what the most important issues in local communities are, we're starting to see more resources being directed toward that agenda.

PND: In part because donors are less interested in designating funds to a specific agency or organization?

BG: After twelve consecutive years of increases, we started to see that level off about three years ago. The amount of money being designated through the United Way to particular agencies or organizations now comprises about 25 percent of the total giving through the system. At the same time, the amount of money being designated for specific issue areas like housing and education and health has increased each of the past three years. Our local United Ways take their community impact issues and turn them into fundraising products; they become an investment that people can make. And that, in turn, has changed the designation pattern.

PND: To the layperson, a local United Way can seem a lot like a community foundation. Has it been difficult for your affiliates to maintain their distinctiveness as they've re-focused their activities on community impact?

BG: I think it's actually made us more distinctive. What makes community foundations and United Ways different is that we have to appeal to a broad base of donors and volunteers across the community. United Ways have fourteen million individual donors across the country. If I look back at my time in Columbus, I had to worry about a hundred and sixty thousand donors a year. Today's United Ways take the interests of small donors, large donors, corporations, organized labor, faith-based organizations, neighborhood leaders, nonprofit organizations, and the public sector and meld them into a concrete agenda that's focused on important community issues. Community foundations also focus on issues at the community level, but in most cases they're not nearly as broad-based as a local United Way is.

PND: Do you view community foundations as competition for your affiliates?

BG: You know, it's funny. At the first national meeting of the Council on Foundations I attended, I heard a pretty negative reaction to our new direction. I said to the foundation professionals I met in 2002 that I thought we were all going to discover that these issues are so big that there's no way that any one organization — community foundation, United Way, whoever — can focus on them exclusively and make progress. So it's okay if we work on these things together and we try to galvanize our stakeholders around the same issues, as long as we do it collaboratively. This year at the council's annual conference in Seattle, I was viewed much more as a partner and in a collaborative spirit. And I think what we've all learned over the last five years is that the issues are so big that sometimes we'll need to work together.

PND: You recently announced a national initiative that will invest \$1.5 billion in efforts to help low- to moderate-income individuals and families achieve financial stability. What was the genesis of the initiative?

BG: It really was the result of looking at data, working to change conditions on the ground, and getting very focused on issues. Looking at the data, it seemed like indicators related to how well individuals and families sustain themselves weren't getting any better. The income gap was growing wider, even as local United Ways increasingly were getting involved in issues like the earned income tax credit, individual development accounts, and savings initiatives because they were having to confront many of the same things we were seeing in the data: We weren't making progress. And as I thought more about the situation, what became clear is that we are not going to "social service" our way to better conditions in communities and better results for individuals and families. So, we went through a year-long process of

asking twenty-five local United Way executives to consider how we should deal with the growing income gap, the lack of financial stability in low- to moderate-income families around the country, and what role the United Way could play if we decided to move in that direction. We convened a group here at United Way of America that included Mark Everson — who was at the [IRS](#) at the time and has since moved on to the [American Red Cross](#) — as well as folks from the [Annie E. Casey Foundation](#), the [Ford Foundation](#), [IBM](#), the [Brookings Institution](#), [Harvard](#), and three big banks from around the country to discuss what the United Way could do if we were to take this on. And we came up with a three-pronged strategy that included helping folks build their income, either through private-sector earnings or through public benefits; helping them to save more; and helping them to build their financial assets.

PND: How common is it for the United Way to have major foundations like Ford and Casey as national partners?

BG: Nationally, it hadn't been too common. When I was in Columbus, Clay Robbins, who's the CEO of the [Lilly Endowment](#), was a colleague and friend, and we exchanged best practices we had learned in Columbus and Indianapolis, where he was on the board of the local United Way. So I visited with Clay before I moved to Washington, and I said, "I need some help. I'll need some operating capital to start making changes, but I really don't have much of a plan yet because I'm not there yet." And he was very open to doing that and made a nice gift. But he and I started talking about the need to have a good working relationship with major private foundations across the country. His point was that he didn't think the United Way of America had been working to develop those kind of relationships, and it was really Clay who got me focused on building those relationships, and rebuilding them in some cases. From the first day I got here, I was focused on local United Ways, on organized labor, on corporations, and on major private foundations. I didn't lecture or tell them what we were going to do; instead, I asked for their advice, and I got some. And today, we have good working relationships with a number of major foundations, including Casey, Lilly, and Gates, and we're trying to build on that. The third-party endorsement is what gives you credibility. If one foundation will say to another, unsolicited, that we think the United Way is a good investment and a good partner these days, that's golden — and much more important than us saying it.

PND: As I recall, Bill Gates was involved with his local United Way in King County prior to creating the Bill and Melinda Gates Foundation, as were his parents.

BG: That's right. Actually, our relationship with the Gates family starts with Bill's mother Mary, who was a national United Way board member and later a member of the board of [United Way International](#). She recruited a young Bill to follow her on the United Way of America board, and she was also the head of the allocations process in King County. She was the one who convinced Bill to run the first campaign at Microsoft. And when I took this job, Bill Sr. was on our board. In the years since, our relationships with the company, the Gates family, and the foundation have only grown stronger. Bill Sr. still does a lot of work with us. His son still does work with the local United Way and occasionally will do an appearance for us nationally. And we're getting to know the foundation even better.

PND: Can we expect to hear about more partnerships between foundations and United Way in the near future?

BG: I can't talk about some of the conversations we're having, but the financial stability work is going to involve a significant intersection of resources from foundations, corporations, and, potentially, even government. It's an issue that everyone's concerned about and that cuts across political agendas. Liberals and conservatives care about it for different reasons, but there's an intersection of views there. We've also taken our [Success by Six](#) program and turned it into a much more robust early childhood learning and development initiative called Born Learning. In 2006, the Born Learning partnership with the [Ad Council](#) produced \$50 million of media time and incredible take-up in local communities, which has led to a couple of conversations about significant new investments in that arena. Similarly, the [Bill & Melinda Gates Foundation](#) has already made a \$10 million matching grant to help us launch our global learning initiative, which is part of knitting together a much tighter global membership network. One of the reasons I think these relationships have improved is because we worked on our own house first. I think we were always a potentially valuable partner for a large foundation or other national player, but only if we could get high quality, consistent work on the ground across our network. Once that happened, once we were more consistent and focused on the same issues and operating more effectively, then we became a better partner.

PND: How much of the challenge in gaining consistency and focus was fallout from United Way's problems in the early '90s, when the Aramony scandal became national news?

BG: The problem was we couldn't go to the federal government or to the Gates Foundation or a Bank of America and commit to a consistent experience on the ground nationwide. United Ways weren't all working on the same issues. For instance, Gates wanted to work on early childhood with us, but we had an uneven experience across the country, which meant we weren't a good partner for them. Today, it's different. For the first time in our history we can point to three issues that most United Ways are working on together: education, financial stability, and health access. That allows us to have real, concrete conversations with potential national partners.

PND: Have any of those potential partners been concerned about past accountability issues at United Way?

BG: The private foundations weren't as concerned about it as was public-sector leadership. You could have a rational conversation with a Casey or a Lilly or a Gates or a Ford. They're much more cognizant of governance issues and they look for evidence of what we've done to address past problems in that area. They saw what we did, they saw we were doing it aggressively — as aggressively as anybody in the sector — and they got on board very quickly. What you learn after working in Washington for a while, however, is that leaders in Congress and bureaucrats in general tend to be more risk-averse and image-conscious than folks in the private sector. As a result, it requires a lot more time and effort to remind some leaders in this city that the Aramony scandal was fifteen years ago.

PND: Can you talk about recent problems in your D.C. affiliate? Why did the national organization feel it needed to act in the way it did? And what effect, if any, has that had on the rest of the United Way system?

BG: At first I tried to convince volunteer and professional leadership in the United Way of the National Capital Area that they needed to act on their own. But they wouldn't do it, at least not in a timely fashion. I'm very clear that my first responsibility is protection and enhancement of the United Way brand, and they were hurting it — both nationally and on Capitol Hill. So I stepped in, because that's my job in a

situation where the brand is at stake. The second reason I did so was to send a message to every United Way across the country that we would not allow this to happen again. If a local United Way crosses the line in terms of its brand and membership responsibility, the national association is going to act. When other nonprofit executives are asked about problems in the field or their industry, they often say it's only a few, isolated cases. Well, that may be true, but if a problem surfaces every six months, it doesn't matter that it's only a few cases. You have to show your members and affiliates that you'll take aggressive action. And when you do, it empowers the 98 percent or 99 percent of your members who want tougher standards to step up and say, "We want tougher standards." That's what happened in Washington. Within three or four months of the scandal breaking, we had a system-wide membership conference and rewrote our membership requirements, fully supported by the vast majority of local United Ways. And since then, the culture of individual chapters as well as the whole system has changed. I feel good about where we are right now.

PND: When you joined the national organization as president, some observers said you had taken a job in which it would be impossible to succeed. Were they right?

BG: I remember those comments. I remember reading a quote that went something like, "Brian Gallagher may be the best that United Way has to offer, but that's not good enough" and thinking, "Oh, that's nice." The September 11 attacks happened in the middle of the search process, so to the extent that anyone could know what the world was going to be like post-9/11, I knew what I was getting into. That said, the first eighteen months in the job weren't very fun. For starters, I wasn't expecting to have to deal with D.C. as quickly as I did. The early months were internally focused, re-designing things, tightening up membership. But the last three-and-a-half years have been exactly what I signed up for — working on issues that are important to the country in terms of human need and potential, and starting to see progress and feeling as if, increasingly, we're viewed as a valued partner. That's been very satisfying.

PND: You've said in the past that the nonprofit sector needs to be more market driven and responsive to the needs of individual donors and investors. Are you hearing much disagreement on those points these days, or has the sector come around to your way of thinking?

BG: Where there has been disagreement, it has been because we're not framing the question correctly. We seem to think that donor interests are different than community interests or what's in the interest of our respective missions. I think, in general, donors are very smart. The challenge for the sector is how we execute on the idea that donor interests for the most part are already aligned with community interests. Donors care about education, they care about housing, they care about opportunity. I think the biggest challenge, not just for the United Way but for all the social systems we've created over the last century, is ridding those systems of inertia, and giving donors a bigger say in how their money is spent is one way to do that. Take affordable housing. If you just bring together the local housing authority, the city, the county, the state, the local United Way and Chamber of Commerce, you'll generate some potential solutions and maybe even some innovative thinking. But you probably won't change the situation very much because none of those entities is likely to stray from what they do best. On the other hand, if you bring in donors who are willing to take risks and invest their money in different ways, you might just create real change. So I think the question isn't so much about whether people disagree with me; it's about recognizing the alignment between donors' interests and the interests of the community and acting on it. And there's lots of room to get to that intersection.

PND: So, how did donors respond to the recently completed 2006-2007 campaigns?

BG: We were up about 3 percent last year, and it looks like it'll be that or a little better in '06-'07. We also know from our modeling that the number of donors will be up, which is the first time in a number of years, and we also expect that the donor designation to individual agencies will be flat or go down again. So, we feel really good about what '06-'07 looks like.

PND: Well, thank you, Brian. Always a pleasure to talk with you.

BG: Thank you.

PND editor Matt Sinclair spoke with Brian Gallagher during the summer. For more information on the Newsmakers series, contact Mitch Nauffts at mfn@foundationcenter.org.