HERON

PRESIDENT’S LETTER: 2017

Clara Miller

Author's Preamble: I began drafting this letter during the weeks leading up to the election and finished it a few days before. But now we're well beyond the inauguration, so I really couldn't send it "as is" without something of a prologue.

Even for Heron, for which the phrase, "The world has changed…," has become something of a slogan, the election's outcome marked a record-level high for the change index. And as I glanced at my draft in light of those results, its contents struck me as somewhat, well, outdated and possibly even trivial. This was quite discouraging. On reflection and discussion internally, however, we thought that one way to interpret these events was that the themes we struck when we changed our strategy back in 2011 were manifesting with a vengeance:

> *"For the great bulk of the U.S. population, social and economic mobility have been stagnant for decades. Industrial and technological advances now lead as often to reductions in employment as to increases. Loyalty, diligence, and a history of regular promotions no longer inoculate most workers from the risk of sudden, enduring unemployment that raises the odds of lasting poverty. Employment at a living wage is neither reliable nor commonplace. Poverty is structural, not marginal.*
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> *"The premises on which most of the economic access and opportunity strategies were based were in many ways drawn from a post–World War II story. This story featured steady expansion in industrial employment, mass upward mobility (or at least opportunity) across the social ladder, ever-broadening homeownership and accumulation of assets, escalating rewards for education…*
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> *"…Indeed, beyond the mere availability of work, the nature of work itself is changing, with temporary, contingent, or episodic employment dominating the working years of more and more people. And, as I noted above, jobs in some industries are more complex and demanding. By itself, a high school diploma—the great goal of social reformers for half a century—is now more a guarantor of severely limited opportunity than of possible advancement. The extra-national job flight, now driven primarily by lower labor costs abroad, will likely be further accelerated and accentuated by U.S. workers' lagging skills and education levels.*
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> *"…Not only is 'changing the economy' unattainable by one actor, the dominant context for our work is a range of mega-problems in the environment, health, global security, and civil society (to name just a few) that expands and accelerates the challenge. Business as usual—with respect to both strategy and the way we operate as a foundation—is no longer an option."*

And while Heron is taking some time to absorb and reassess in light of these events, we believe that the basic approach outlined in our strategy remains valid. We may need to shift the emphasis somewhat, we may prioritize one work stream over another, and we undoubtedly will want to expand our supply of "contingency" capital to be ready for unknown but emerging opportunities as we learn more. But our focus on work, the power of investors and enterprises as forces for good, and in particular, community connection, will remain and redouble.

In the face of changes to the political environment, we and our investees have kept on keeping on. Heron reached 100 percent of assets invested for mission, a journey I recently wrote about in the Stanford Social Innovation Review. And our portfolio of amazing grantees and investees can be viewed on our website. What you will read about Heron will be relevant to our future, notwithstanding possible course-corrections, discoveries, and, if warranted, double-downs on our current path. So I'll take a deep breath and start again—at the beginning of the original letter.

Dear Friends,

When you're landing after a long flight, first the pressure inside the cabin changes and your ears pop. Then you hear the sound of the landing gear moving into place. The seat belt sign comes on and the flight attendants bustle. A shared sense of anticipation and restlessness fills the cabin. Are we finally there?

Given the operational launch of Heron's current strategic trajectory in 2012, the long flight metaphor—albeit with a number of stopovers, refuelings and route modifications—seems an apt framework for recounting the "state of Heron, 2016." This letter, then, is less an annual update and more a reflection on the first five years of our journey of reinvention and some of what we have learned.

Last fall, our board chair remarked: "Well, it looks like the world has changed… *again*!" Gulp. It certainly had changed in the four years since we first used the phrase in the title of our 2012 strategy document: *The World Has Changed and So Must We*.

His question prompted a series of reflections: What did we hope to do when we were in planning mode back in 2011? What have we done since then and how have we been stymied? What have we learned? Have we changed course along the way? Most importantly, how has the world (from our limited view) continued to change and how might we respond?

How We Got Here: Strategy and Assumptions (2011–2016)

Prior to 2011, we (and many of our allies) had been focused largely on helping people on the margins get back into the mainstream through programs and services providing low-income people access to assets, credit, training, and similar. Our assumption had been that access to these resources would lead to jobs, homeownership, and business opportunities—mileposts on the traditional American path to prosperity.

But our review in 2011 concluded that this approach was not getting at root causes. There were successes, but they were, for the most part, limited and episodic. The economy itself seemed unreliable and displacement longer-lasting, so programs aimed at the margins didn't stick. Unemployment and underemployment, poverty and income inequality, were not the unfortunate-but-temporary byproducts of a naturally shifting market. They seemed to be built into the economy itself. If we were to succeed at fulfilling our mission of "helping people and communities help themselves out of poverty," we would need a reliable U.S. economy that was job-rich and provided willing workers steady, living-wage jobs.

It seemed apparent that business as usual would not be adequate, and that our strategy must align and mobilize all of our assets for mission, building on and going beyond Heron's substantial achievements up to that date. So we changed our approach. We hoped, simply, to become more effective—to live the credo of continuous improvement.

Our strategy featured three distinct but interconnected elements. The first, summarized by our two slogans—"all investing is impact investing" and "investing is an influence strategy"—was to invest all of our assets (financial, yes, but also knowledge capital, social capital, and similar) in enterprises and markets that provide employment and broad value for low-income people and communities. This rubric would be applied to every kind of enterprise in our portfolio, small and large alike, from nonprofits to for-profits. It would push us to affirmatively connect Wall Street to Main Street in all our investing. And our relatively small size (and the small size, together, of all philanthropic assets) meant that a central tenet of our approach would be influence—to succeed, we needed to be part of something larger than ourselves rather than an outlier.

The second element (in part an inspiration for our slogan, "accounting is destiny") was to invest in or provide income for "system improvement"—data and accounting systems, financial infrastructure in the form of intermediaries, emerging business forms and products, and research and advocacy organizations who were contributing to the changes we sought and needed to rely on. This would provide some transparency to the positive (or negative) contributions of enterprises as well as building the infrastructure of integrity for the reporting.

And the third element (which we called "full frontal philanthropy") was to establish a new operating model for Heron. By doing so, we wanted to test an alternative model for the private foundation, hoping others would also develop ways to wield all philanthropic assets for mission. By broadening our investment policy, modifying our role and business lines, and removing the traditional division between the program side and the investment side of the operation, we hoped to, in Gandhi's words, "Be the change."

Animating this work has been the proposition that money and mission, roughly corresponding to the investment and program sides of the foundation, do not exist in separate universes and were never meant to be apart, whether in the foundation, in communities or in the global economy. Conversely, well-managed and ethical enterprises of any size or tax status combine mission and money in their regular operations to create value (just as poorly managed, unethical ones conveniently separate them and routinely extract value). This transition of the operating model is described in more detail through our website, our Investment Policy Statement, and publications such as *Building a Foundation for the 21st Century*.

As we learned more about the way in which "full frontal philanthropy" works, we're also acutely aware that not only has the world changed, again, but that one of the hallmarks of the 21st century is that time has become, in a real and urgent way, compressed. As we noted in our 2012 strategy, problems that seemed to be soluble with carefully crafted theories of change and multi-year initiatives focused on neatly isolated outcomes in circumscribed markets are urgent, intertwined, and messy. In a way, Heron's efforts with respect to our operational model are simply meant to create a "built-for-purpose" foundation for this messier, less compartmentalized, and more urgent world.

Here is a progress report on this journey in three summarized lessons.

Lesson #1: We underestimated what we were undertaking on several dimensions, operations in particular. This hasn't dampened our enthusiasm or changed our strategy—but we've learned and made tactical changes.

At the risk of torturing the flight metaphor: Heron's journey has seen real progress, but not without turbulence… and the pilot was fresh out of the flight academy (at least the one for foundation presidents). Happily, we now know better what we don't know. As the saying goes, culture eats strategy for breakfast, and we have found that to be true in our journey.

While we are reminded each day how exciting, challenging, and *right*-feeling the operating model changes have been, the trial and error of change has meant a labor-intensive learning curve, some culture confusion, and a few bumps on "customer service." This has not been a straightforward process of restructuring or reorientation. We have been remodeling the plane while flying it, and the degree of uncertainty sometimes takes its toll. And all of us have had moments where the unconscious takes over. Here are some milestones:

Going all the way from docket to pipeline to platform/network

Over the years, we have moved from a "docket-driven system" (the conventional foundation model), to a "pipeline system" (a more enterprise finance-oriented market-facing approach—similar to banking) and now to a "platform/network" approach (oriented to co-investing, building the capacity of others, and leveraging social and knowledge capital intentionally).

Even though the last is still squishy in execution, it looks like it will be worth the headaches of pushing beyond the pipeline, breaking down the silos, and incentivizing internal and external interaction among them. And it's fair to say that our doggedness in developing this holistic way of wielding a range of types of capital, beyond "spend" grants, beyond financial capital alone, and beyond our walls is probably one of our most promising value-adds.

Just changing our own habits has been challenging, and breaking down silos sometimes seems like a version of "whack-a-mole." We had modified the way we approach investing from, "What do we get from this investment?" to, "How can we help this enterprise succeed, and by doing so, make all stakeholders—financial investors, buyers of services, beneficiaries, employees, and ourselves—successful as well?" Sometimes, execution is groan-worthy but it pushes us to a more realistic, long-term view, and better investing. We think this is the route to lasting, sustainable results and net positive impact for enterprises up and down the economy.

Removing the division between the giving side and the investing side

Talk about culture change! Even at Heron (relatively small and working on this for years), the job of building up a broad, basic, staff-wide understanding and appreciation of how financial instruments work; helping staff members understand the differences and similarities between nonprofit and for-profit enterprises and accounting; developing a means for portfolio construction at the enterprise level (in addition to the asset-class-level); and finding a vantage point for a bird's eye view of the intersecting landscapes of anti-poverty work, employment, impact investing, social metrics, and similar has been a process of continual improvement, reinvention of routines, and unlearning of habits.

And that's just internally. Most nonprofit grant-seekers want and expect Heron to be a predictable, reliable grantmaker that provides revenue for ongoing operations or programs, not a social investor looking to invest capital in a particular stage of enterprise and appropriate opportunity (nonprofit or for-profit, large or small, with equity or debt). We have work to do to explain our approach.

It's not so much finding talent at this point (hybrid talent is abundant) as it is finding people who are willing to question their own expertise on the way to create a new set of assumptions, practices, routines, and measures while testing them in real time. We have found that temperament is more fundamental to success than specific skill sets.

The concept of the foundation as enterprise

By modeling all of the assets and operations as one entity, the value-add of operating a foundation as one single enterprise focused entirely on mission has come into sharper focus. We have a broader view of opportunities, risks, returns—and an array of potential roles we can play.

That said, operating as a single entity has raised operating costs, at least in the near term, and by conventional measures, we may look a bit expensive. But given the breadth of our portfolio, we believe we are justified in developing a more realistic way to account for an enhanced "mission return." Our current operating costs leverage and track the entire asset base of the foundation for financial and mission purposes, and some "assets under influence" beyond. We are not leveraging the grants alone—less than five percent of the asset base—but 100 percent, and that changes the math.

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Our belief is that our costs will moderate over time as more foundations go down this path, and cooperation becomes both a mission and a business imperative.

The market is the market!

With the operating model changes has come a real shift in our vantage point. We're not confined to the nonprofit or for-profit market when addressing our mission. We're planning based on opportunities in the market as a whole: including and going beyond nonprofits to public and private for-profits, governments, cooperatives, and other legal forms of business. This rewards us with a *world* of possibilities for synergy, leverage, and interaction that are off the mission radar in the split universe of the conventional private foundation. Managing the fire hose that is the stream of opportunities? Definitely a challenge!

*We have increasing faith in the idea of capturing and using data housed **outside** our walls*

For Heron, data is a strategic asset. We have found that external databases and warehouses are a tremendous resource. We look for ones that can make data about investees or grantees comparable to those of peers, empowering to investees, and available for general learning, course correction, and success (rather than strictly for internal compliance or all about our mission or investors only).

This isn't a bit revolutionary. It's the approach the for-profit investment side of the conventional foundation takes when benchmarking results or analyzing managers, funds, or companies. For-profit managers and enterprises compare themselves to peers routinely in such circumstances. Nonprofits and their funders deserve such tools too. Such data sets are far more helpful than the time-worn and amateurish financial rules (rules about overhead ceilings, for example) that now dominate philanthropy and government funding and are thrust upon the nonprofit sector.

And opportunities to "rent" the means to manage operations outside our walls/in the cloud have grown. Not only are we able to have investees/grantees report data to a third-party, but portfolio management and asset management options have expanded (making some of our 2012 plans possibly superfluous). We have a way to go, but the choices and tools are expanding. Moreover, we're still behind the curve: the direction of the data world seems to be that self-reporting will become less central to investors, possibly very quickly, because data gathering will be pervasive.

We have focused and narrowed our role as "direct investor," as we see more evidence that direct investing is not necessarily the best route to high impact

In the philanthropic world, it seems almost axiomatic that the traditional practice of direct grant making and direct social investing yields the best mission results. And while direct giving/investing does create high visibility, a meaningful personal experience for the investor**,** and sometimes produces impactful breakthroughs, it's not universally the route to better impact. To the contrary, we believe that relying *solely* on direct investing has, in the end, less influence and narrower impact in most cases than investing through high-quality funds and intermediaries**.** On the investment side of conventional foundations, managers, advisors, and other intermediaries are the norm for most investments, and we think that practice could be applied positively across the investing/grantmaking divide.

Lesson #2: Enterprise Capital Grants (also known as "philanthropic equity") have been more successful than we hoped, and proceeded more slowly than we feared. And the philanthropic world isn't as starry-eyed about the power of enterprise finance and accounting knowledge as we are at Heron.

Five years ago, it seemed to me that while I had made a career of thinking, writing, and deploying funds in ways that would improve understanding about how financing, enterprise model, and mission fit together, I was pretty lonely in this enthusiasm. I think the comment, "You're right, Clara, but nobody cares," was one of the more disheartening (and true) I heard during my nearly 30 years at Nonprofit Finance Fund.

And at Heron, I have been a little disappointed that so few of my fellow philanthropoids embrace basic financial practices that can help all players become more effective (and candid) about using money as a tool for good. The suggested practices eliciting allergic reactions (or, more typically, indifference) in the field include, for starters:

- Being sure to distinguish capital from revenue when providing financial resources (not doing this is especially damaging to "star" organizations that are growing;
- Defining an explicit ***financial*** role for the giver when making grant (grants, after all, are money);
- Not capping or restricting spending for overhead (in fact, doing away with it as anything but a useful data point for internal management, not relevant to funders) in the nonprofit sector;
- Not restricting funds *at all* unless there is a reasonable exception (i.e., if we don't restrict this, it will go to Harvard's general fund, not to the researcher); and
- Not relying entirely on an expense project budget, but using audited financial statements and revenue/expense projections as a frame for informing funding decisions.

Even the idea that finance is important at all still seems to elicit discomfort or even hostility among some program officers. A low point in our enterprise capital/philanthropic equity history was being part of a panel with a fellow foundation president who said: "We are *not* providing capital the way Heron is. Period. We are providing a restricted program grant." I admit that I found myself thinking, gratefully: "Call it what you will, you're going to make a grant supporting their plan, as we are. That's progress!"

Yet there's a glimmering of hope on nonprofit financial sanity, and I believe we may be at a real inflection point. A variety of events, including the spectacular failure of some large nonprofits (including a number of social service organizations) has prompted more than one field leader to acknowledge the need to recognize the importance of the financial side.

Darren Walker at the Ford Foundation has not only announced a program designed to build key organizations and institutions, he has declared that Ford will pay 20 percent overhead on grants—a real step forward. In a recent president's letter, Julia Stasch of the MacArthur Foundation wrote, "Capital has a vital role to play in strengthening the social sector … because we believe the market discipline required by financing can strengthen the performance and resilience of nonprofits…" I would only add that the knowledge of how finance works can equally strengthen the performance of foundations, and hope that we can walk our talk!

There's broader and deeper work on "full cost," led by Antony Bugg-Levine, chief executive officer at Nonprofit Finance Fund (and a valiant campaigner for more financial sanity in the sector and the world). He sees forward motion among a number of key foundations who have seen the benefits in mission results. And Jacob Harold has distinguished himself from the online ratings scrum by actively campaigning, with colleagues, against "The Overhead Myth."

Yet it's apparent that beyond these steps forward, we need larger "system change"—something to replace the pastiche of rules of thumb, conflicting requirements, and overly zealous budget-compliance mechanisms we now have. Marginal improvements to practice are a start, but not a destination by a long shot. My friend and colleague Ed Skloot once named this system, "Our pretty bad best practices." And in the words of the great W. Edwards Deming (a hero of mine), "A bad system will beat a good person every time." Sad to say, that's what our "pretty bad" best practices are doing to the best managers and leaders in the nonprofit sector, every day.

Eternal optimist that I am, I think that the darkest hour is just before the dawn. We're still hopeful that a coalition of folks who have been working on these issues (some for many years) can move ahead affirmatively to substitute better financial knowledge and practice for the oddball superstitions, rules of thumb, and scarcity mentality behaviors that now rule the field and undermine mission results.

We and some colleagues (Weingart, Ford, Packard and others) are in early conversation with Independent Sector, Nonprofit Finance Fund, the Bridgespan Group, and others to put some provisional form and energy around the large volume of work already done on this front and see if together we can create some real change.

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Lesson #3: Data jungles and deserts still persist, but there are glimmerings of real change in both the nonprofit and for-profit sectors.

Let us not forget that accounting is destiny! The promise that impact investing, social purpose finance, and the like hold for changing the DNA of the capital markets must be mediated by better and broader accounting—similar to the improvements in enterprise transparency following the establishment of the Financial Accounting Standards Board (FASB) in 1973.

With the arrival of large, diversified players has come a push for more financial products (and the potential for "greenwashing" or "impact washing). The various definitions of "impact investing," "social investing," "mission investing," and similar that have been coming from foundations, banks, enterprises, and individuals are a source of both confusion and the beginnings of convergence among proponents.

This activity is not in vain: There's some progress, and some major foundations and donors have joined corporations and investors to put both their money and voices behind material environmental, social, and governance (ESG) data standards for public companies. The Sustainability Accounting Standards Board (SASB), an early ECG participant (with major donors including Bloomberg Philanthropies, TomKat Charitable Trust, Generation, Packard, Moore, Ford, Rockefeller, PwC, Deloitte, and Doris Duke) has completed data standards for 79 industry verticals (similar to FASB's process for financial accounting standards in 1973) and has recently reset its governance and begun codifying standards to prepare for market demand that it take on a standard-setting role. Others—such as Sustainalytics, B Lab, HIP Investor, TruCost, JUST Capital, TruValue Labs, and more—are steadily improving on their early work.

We at Heron, with a range of colleagues, are working to find a good way to monitor the positive and negative performance of enterprises over time on both financial and social dimensions—an approach we are calling "net contribution." We expect to learn a lot from some new and powerful entrants to the field (such as BlackRock, a $4.9 trillion asset manager). Beyond working to build improved ESG data into its funds, CEO Larry Fink wrote a public letter to S&P 500 CEOs advising against "quarterly earnings hysteria," and supporting the long-term view.

At the other end of the enterprise spectrum, direct philanthropic investors are trying to measure a dizzying array of mission outcomes with an equally dizzying array of metrics. We are concerned more with data jungles than data deserts in the nonprofit world. Our early experience with the enterprise capital grant (ECG) practice—as well as a variety of opportunities with respect to private equity and debt—revealed that the combination of bespoke reporting for individual impact investors coupled with appropriate management reporting routines push enterprises to take on too great a number and variety of small, customized measurements raising costs without improving performance. This practice is counterproductive, and seems to be creeping from the nonprofit world into the for-profit impact investing world. Yikes!

That's not to say that we are in any way against metrics and data. Yet we are advocates for an "equity holder's ethic," where asset owners (or, in nonprofit context, board members and capital providers) have a duty to protect the enterprise from overexploitation so it can thrive. Sometimes that means making sure it's focusing on the main thing, including the most important operating and mission metrics. And an equity holder's role goes beyond protection alone.

In a for-profit context, a reward of success is that the equity holder can sell its shares and take profits; in the nonprofit, where ownership is not possible, those taking the equity holder's role (nonprofit boards, managers, and funders) will benefit on both the financial and the mission side with better results. The role of "cradling the enterprise" is straightforward self-interest. Yes, metrics are important, but should be used to inform, empower, improve, and compare more than to police.

For investors to get their role confused with that of either buyers (provide regular revenue and look for cost-savings and bargains) or regulators (enforce the rules as they know them) will be self-defeating over the long term. We think of these behaviors as the nonprofit funder's version of "short-termism," and subject to the worst effects of those practices in the corporate sector. These include continuing the strong short-term incentives for gaming of results, financial engineering, compensating managers inappropriately, and making demands that hollow out the integrity and strength of enterprises and their ability to deliver over time.

The World Keeps Changing

Just when we thought we were getting somewhere, the world is really changing… again… and it seems as if a small part of the change could be good.

We have more and more company, and it's exhilarating!

All investing has impact, and a diverse group of investors, companies, and nonprofits are embracing (or at least investigating) that reality.

Happily, foundations like ours aren't the only (or even the largest) cohort in this field. We are rapidly (and happily) becoming one of the smallest! Here's a non-exhaustive summary of some of our partners.

- Pension funds such as the California State Teachers' Retirement System (CalSTRS), PGGM, and SEIU are playing a larger role.

- Private, for-profit companies, large and small, are joining the movement. They span from Fortune 500 companies (exemplified by the membership of CECP) to small and emerging companies that populate the membership of the American Sustainable Business Council (ASBC) and the Business Alliance for Local Living Economies (BALLE). They include benefit corporations, cooperatives, ESOPs, and "pioneer employers" (as measured by Hitachi Foundation). Not to be missed: The CE100 companies, which are creating business models that rely on innovation to operate in a way that means a true "net contribution" to the world (negative carbon emissions, good jobs, and high quality to customers).

- The high-performing, purpose-built infrastructure that will make good on the promise of impact investing is growing as well: nonprofit and for-profit platforms such as Encourage Capital, Cornerstone Capital Group, and MissionPoint Partners are joining the now-venerable fund managers such as Generation Management, and purpose-built private equity funds such as DBL Partners, SJF Ventures, and Bridges Ventures.

- There is a growing list of muscular conventional entrants, such as Bain Capital, KKR, and BlackRock. Many large banks, long participants in community development finance, have created "impact investment products" (including J. P. Morgan Chase and Morgan Stanley) or even acquired advisory firms—Goldman Sachs's acquisition of Imprint being an example.

- And finally, the philanthropic operating model itself is changing, well beyond Heron's. Family offices continue to lead the way, with the Omidyar, Chan/Zuckerberg, Pritzker/Simmons, Kleissner, Grove, and Steyer/Taylor families all creating a steady stream of new, flexible, philanthropic operating models. Private foundations as we know them today may give way to a range of different business models.

Meanwhile, a selection of exciting developments among fellow foundations include:

- Foundations long active in program-related investing and impact investing have expanded their own horizons and welcomed new entrants to the field: Meyer Memorial Trust, Kresge Foundation, McKnight Foundation, Mary Reynolds Babcock Foundation, Ford Foundation, Surdna Foundation, MacArthur

Foundation, Gates Foundation, TomKat Foundation, Rockefeller Foundation, W.K. Kellogg Foundation, Open Society Foundations, Rockefeller Brothers Fund, David and Lucile Packard Foundation, Sorenson Impact, and W.K. Kellogg Foundation have been important partners.

- Possibly one of the most promising developments of the past few years has been the growth in numbers and depth of the interest in impact investing by Community Foundations. One organization, the Community Foundation Circle of Practice, organized by RSF Social Finance to use their unique access to individual donors, geographic focus, and Donor Advised Funds (DAFs) as a "secret sauce" in investing in place. As we pivot toward a more intentional approach to place, such partners and networks will be key.

- The Bill and Melinda Gates Foundation under Susan Desmond-Hellman has used the creativity and ingenuity of its operations and finance staff to create innovative vehicles for impact in markets where large for-profit players with built infrastructure may hold the key to distribution of, for example, vaccines. Gates is demonstrating with real brawn that thinking market-wide about solutions that go beyond grants or nonprofits alone (or investments or for-profits alone) feeds a flowering of innovation.

- Presidents and staffs of very large foundations have been leading and innovating in the field, including the continually inspiring Darren Walker at the Ford Foundation; what I like to call the radically common sensical Kate Wolford of the McKnight Foundation; MacArthur Foundation's Julia Stasch, with MacArthur's innovative use of Donor Advised Funds in partnership with Terry Mazany of the Chicago Community Trust; Kresge's Rip Rapson's quiet and effective investing through Kresge as a change agent in Detroit (and similar iconic American cities); Stephen Heintz's strong and articulate message and action on fossil fuel divestment, followed by thoughtful progress on the rest of Rockefeller Brother's holdings; and success of Surdna's Phil Henderson in guiding his board and staff through a thoughtful, thorough process to access the new opportunity set that impact investing offers philanthropy.

Miles to Go… What does Success Look Like?

One thing hasn't changed from our strategy of 2011: improvement will take *everyone*, not just nonprofits, or the government, or activists, but all of these alongside large and small for-profits and, most critically, the people and communities we hope to help. And in all instances, our goal will be to restore broad, enduring value creation in the economy. The path to a better world cannot be the responsibility of any one actor trying to solve problems in isolation, or we will fail.

It's my view that we got some things right strategically over the last five years, even though they're still challenging in execution. And we're hearing more and more echoes of a few of our slogans, as if they're becoming comfortable! For example, "All investing is impact investing" or "accounting is destiny," and for foundations, "investing is an influence strategy."

Final Thoughts

So what's the theme for 2017? I guess it's, "Please put your seats in full upright position, stow your electronics and tray table, and make sure your seat belt is securely fastened."

We're not on the ground yet, but we're circling. And if we don't see a yawning crater or a boiling caldron under our wheels when we get below the clouds, we just might be able to get out and stretch our legs for a bit on our multi-year journey of change. But not quite yet. And it would only be a stopover.

Thank you for your company and support on this journey.

Sincerely,

Clara Miller
President of the F.B. Heron Foundation