



# Richard McFarland, business executive and foundation board member

Foundations should get to root causes of civic problems, not just treat symptoms

A Civic Caucus Review of Minnesota's Public Policy Process Interview

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## Present

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## Summary

Foundations should be doing more to get to the root causes of problems, rather than just treating the symptoms, says Richard McFarland, veteran member of several foundation boards in the Twin Cities. An interviewer restates the issue: whether foundations should be doing good directly, such as putting up a building for an organization, or doing good indirectly by supporting, in an ongoing way, institutions or organizations that would play a role over time in resolving community problems.

McFarland has served on the boards of the Dain, Graco, Minneapolis, McKnight and Bush foundations. In his experience, the Bush and Minneapolis foundations have usually focused on initiatives put forward by the staff, as opposed to the board looking outside the staff to get ideas on issues. But he stresses that every foundation is different. The McKnight Foundation is a family foundation, he notes, so the McKnight family sets its priorities. And the Dain Foundation was really run by the employees, since it funded organizations and causes in which employees were involved. He says the priorities of each big corporate foundation depend on the company's CEO and senior officers.

According to McFarland, foundations should evaluate the success of their initiatives against measurable goals. He gives examples of several foundation-funded projects, some of which failed to succeed and some where the jury is still out. In one case, he faults the funding foundation for not reporting, when a major initiative came to an end, what had worked and what hadn't.

McFarland believes that a number of local foundations feel a responsibility for the health of the metro area and the rest of the state and for picking the most urgent issues to work on. He points to the success of the six nonmetro regional initiative funds, still in operation today, that the McKnight Foundation started 30 years ago.

## Biography

Richard D. McFarland is retired chairman of RBC Dain Rauscher. He had joined Kalman & Company, a predecessor firm, in 1953, was elected a vice president in 1957, a senior vice president in 1969, president in 1972, and president and chief executive officer in 1976. He served as chairman of Dain Rauscher from 1985 to 1995.

He served as trustee of the Minneapolis Foundation from 1998 to 2006, including a term as board chair of the foundation. He served on the Bush Foundation board from 1989 to 1999 and on the McKnight Foundation board from 2005 to 2013. In addition, he served on the Dain Foundation board for 20 years and on the Graco Foundation board for 30 years.

McFarland grew up in Minneapolis and is a 1947 graduate of Minneapolis West High School. He received a B.A. degree from Dartmouth College in 1951 and a master's degree from Dartmouth's Amos Tuck School of Business Administration in 1952. He served two years in the U.S. Air Force.

## Background

The Civic Caucus is undertaking a review of the quality of Minnesota's past, present and future public policy process for anticipating, defining and resolving major public problems and issues. The Caucus interviewed Richard McFarland, veteran board member of several local foundations, to get his perspective on the role foundations have played in that process in the past, play currently and could play in the future.

## Discussion

**When you've seen one foundation, you've seen one foundation.** "They are all different," said Richard McFarland, veteran board member of several local corporate, private and community foundations.

**Small corporate foundations don't do much in the area of policy issues in the community.**

McFarland said Dain Bosworth was a five percent company, meaning the company donated five percent of its pretax profits to charity. In his 20-year experience with the Dain Foundation, it never had any involvement with political or policy issues in the community. He said that might be different at other corporate foundations. "At Dain, we supported the things our employees were involved in," he said. "We had 60 branch offices in the Midwest and Rocky Mountains. If our employees were involved in community activities in those locations, we would support them. I don't think we ever turned anybody down, giving grants of anywhere from \$500 to \$5,000."

**The private Bush Foundation's function was leadership.** During his time on the Bush Foundation board (1989 to 1999), McFarland said, the leadership work in which the private foundation was

involved cut across political lines, educational lines and other areas. Humphrey Doermann was executive director (1971 to 1978) and then president (1978 to 1997) of the foundation. McFarland called him a "rock star" and said the foundation had a very strong board, although many initiatives were staff-driven. "They had some wonderful staff members who would make recommendations," he said. There were no Bush family members on the board.

**The Minneapolis Foundation, a community foundation, was deeply involved in issues of governance and education.** McFarland served on the board of the Minneapolis Foundation from 1998 to 2006, when Emmett Carson was CEO. "The foundation had a major impact on immigration back in the early 2000s," McFarland said. "Like the Bush Foundation, the agenda was pretty much staff-driven and the board would react."

**The McKnight Foundation is a family foundation.** During McFarland's time on the McKnight Foundation board, from 2005 to 2013, he was one of only two non-family members on the board, along with nine family members. Russ Ewald was the foundation's executive director. Virginia McKnight Binger was the "key player" at the McKnight Foundation, McFarland said. Now the fourth generation, Virginia and Jim Binger's grandchildren, is on the board and, according to McFarland, they are "rock stars." He said now the board has six family members and six community members.

McFarland noted that Virginia Binger and Russ Ewald would ride along at night in Minneapolis police cars. "They would see areas that really seemed to be in trouble," McFarland said. "Virginia would step up to the plate and the foundation would contribute whatever amount of money she thought was appropriate for those areas. Her leadership for her children and grandchildren has been spectacular. The family determined where McKnight would spend its money."

**The priorities of the big corporate foundations depend on the company's CEO and senior officers.** "The General Mills Foundation has been a powerful foundation in this community for a long time," McFarland said. "They've done good work in a lot of different areas, such as housing." He said the priorities of a corporate foundation depend on decisions made by the CEO and senior officers of the company.

**How do foundations evaluate the impact of projects they've funded?** In response to that question, McFarland gave an example of an initiative funded by the McKnight Foundation. "In everything McKnight was going to do," he said, "we made sure we knew what success was going to look like."

When he went on the McKnight board, education was at the top of the list of the foundation's priorities. Over a period of 10 years, the foundation had put millions of dollars into trying to improve the graduation rates of kids in Minneapolis and St. Paul schools. But after 10 years, the graduation rate in Minneapolis and St. Paul was still only 50 percent. "It hadn't moved the dial one bit," he said.

The staff and the board decided the initiative was not working and the foundation shouldn't fund it any more. The board hired outside consultants from Boston, who recommended that the foundation undertake an initiative aimed at achieving literacy by third grade.

The foundation is doing that now. It adopted six public schools, three in Minneapolis and three in St. Paul. "It's not very successful," McFarland said. "It's not having an affect at the six schools." Kate

Wolford, current president of the foundation, told him recently that the project is a mixed bag and that the staff and board don't really know how the initiative is coming. "They're spending millions of dollars on this program," he said. "We'll have to find out later on whether or not it's successful. But they will know whether it worked or not."

**At several local companies, members of senior management were required to get involved in community service.** Wheelock Whitney was CEO of Dain Kalman & Quail when McFarland became senior vice president there in 1969. Whitney noticed that McFarland hadn't been involved in the community and told him that with the title comes responsibility. Whitney gave McFarland a month to get involved with two nonprofits in the community. "It was Wheelock who forced the issue," McFarland said. "It came from the top. That's what you do; you're involved."

He noted that other local companies, including General Mills, Pillsbury and Graco, had similar requirements. "They all had CEOs who were deeply involved in the community," he said. "It starts at the top."

**A number of local foundations feel a tremendous sense of responsibility to the community.** An interviewer said he has always believed that the local, non-corporate foundations are great institutions. He thinks they're knowledgeable about community problems and if anybody is going to help solve these problems, it will be these foundations. The interviewer asked if those foundations see their role that way, that is, as responsible for the health of the metro area and the state and needing to pick the most urgent issues to work on.

McFarland said in his experience, the foundations do feel that sense of responsibility, both in the metro area and outstate. He said he's seen that in his involvement with the Minneapolis, McKnight and Bush foundations. He noted that 30 years ago, the McKnight Foundation started six regional initiative funds around the state in Duluth, Bemidji, Fergus Falls, Little Falls, Hutchinson and Owatonna. "McKnight still supports them, but they're on their own now," he said. "The funds have done a fabulous job outside of the metro area."

**It's a mixed bag as to whether foundations are trying to do good directly or indirectly.** An interviewer drew a distinction between foundations doing good directly or indirectly. Examples of doing good directly, he said, would be putting up a building for an organization or giving scholarships to kids in need. In contrast, the interviewer said, doing good indirectly would include developing institutions in the community that would play a role over time in resolving problems. He said there was a tremendous amount of that type of institution-building here in the late 1940s and early 1950s. Now, he said, foundations love three-year grants, rather than sustaining community nonprofits in an ongoing fashion.

McFarland responded that it's a mixed bag. He agrees that foundations should be doing more research on the causes of problems, as opposed to treating the symptoms. Destination 2010, funded by the Minneapolis Foundation, was an attempt to do that. The foundation adopted six third-grade classes, three in Minneapolis and three in St. Paul. The promise was that if the kids in those classes graduated from high school, they would receive a scholarship for postsecondary education.

After the first year, those six schools turned into 43, because the kids moved so often. "The foundation was trying to make things better and find out what works," McFarland said. "Then the

program could spread to other schools, if it were successful." Of the 450 kids in the original six classes, 200 graduated from high school.

"I'm convinced that teachers are crucial," he continued. But the family is also important. "This all starts at home."

**Foundations have tended not to coordinate with other foundations.** But McFarland thinks that's no longer the case. "There are great opportunities to get together now," he said. "Our efforts should be coordinated and we should look at the causes of problems."

**The role of the board versus that of the staff is different at each foundation.** An interviewer asked how much of what foundations choose to focus on comes from proposals put forward by the staff, as opposed to looking outside the staff to get ideas on issues. McFarland responded that in his experience at the Bush and Minneapolis Foundations, the staff director set the tone, supported by the rest of the staff. At the McKnight Foundation, though, the McKnight family set the agenda, not the staff. The Dain foundation was really run by the employees.

Another interviewer commented that in earlier times, at the Citizens League and at other organizations, the staff used to work for the board, instead of the board working for the staff. At the Citizens League, he said, it was citizen volunteers, rather than staff members, who testified at the Legislature and presented study committee reports to the League's board of directors. He wondered if we've shifted too much the other way. McFarland responded that the staff has taken the leadership role at some foundations.

**Foundations should evaluate the success of their initiatives against a measurable goal.** When the Destination 2010 initiative ended in 2010, McFarland said the Minneapolis Foundation failed to do a white paper on what had worked and what hadn't. "You've got to be able to measure 'Did we make it or didn't we make it?'" he said.

He said at the Bush, McKnight and Minneapolis foundations, the staff was very interested in results and in doing things that would make a difference. "I think we dropped the ball on results of the Destination 2010 project," he said.

**Eighty percent of the money the Minneapolis Foundation pays out is from donor-advised funds.** Individuals can set up donor-advised funds within community foundations, like the Minneapolis or St. Paul Foundations. The donors decide how to spend the money in their individual funds. An interviewer asked how the foundations work to facilitate understanding among these donors about what they could or should do that would result in some kind of change. He also asked to what degree these individual donors believe trying to change public policy is something they should undertake.

McFarland said he and his wife have a donor-advised fund at the Minneapolis Foundation. They've told the foundation general areas they're interested in funding. The foundation staff will contact them when they know of an organization they think deserves support.

**Foundations don't go to the federal or state governments to try to make a difference in public policy.** An interviewer asked how individual donors and foundations could assemble something of consequence to make a difference in resolving a public problem, such as conditions for Native Americans on the reservations.

McFarland responded that he doesn't think that happens at the level of individual donors or foundations. "They don't go to the federal or state governments," he said.