EXPLORING INNOVATION WEEK 2010

Summary of Conference Proceedings

Federal Reserve Bank of St. Louis—Louisville Branch
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*NOTE: This booklet contains executive summaries of the videoconference key speakers. A full summary and videotaped version of the videoconference can be found online at www.stlouisfed.org/community_development.
Restructuring and Retooling for the Future
Videoconference (Videoconference held in Evansville, Ind.)

APRIL 20, 2010

Gary Logan—Executive Summary

BIO:

Gary Logan is founder of Synago Consulting and was a faith-based leader for 35 years. Logan is working to bridge Asian culture and Western business practices and develop cross-cultural opportunities for young professionals to address issues with a global perspective. He has professional experience in nonprofit, business, education, leadership and faith-based fields. Logan’s work focuses on transforming organizational culture, improving communication, developing global leaders, and designing action learning and performance management strategies. He taught leadership development, organizational development, and peace and justice studies at Park University in Kansas City, Mo., and served as adjunct faculty for Graceland University in International Studies.

SUMMARY:

When you engage in community development, you must know and respect the history, traditions, customs, fears and dreams of those in the community in which you work. In addition, you must be aware of the assumptions, attitudes, biases, personal prejudices and customs you also bring to the project, which may hinder or help the conversation. When we get too focused on our own strategic planning or vision for what is best for a community but fail to connect with our community, we lose sight of the foundation, and our endeavors often fail. A cross-cultural sensitivity, with shared verbal and nonverbal communication and a respect for values, leads to numerous opportunities and measures of success, generally because those who want to work together know it betters the society and ultimately the culture as a whole.

KEY TAKEAWAYS:

• Everyone needs to feel a sense of belonging; we want to belong to a group, a community, a cause. This is applicable to individuals, families, tribes, communities, neighborhoods, businesses, organizations and even on national and international levels. We want to connect, dream and have a sense of meaning. When we lose that hope, we no longer see growth as possible.

• Community development, at its core, is the process of developing people. People are our greatest resource in any endeavor. Healthy community development is giving people the critical thinking skills, the training, resources, equipment and tools they need to build, dream and to create. To effect real change, we need to go beyond an entitlement program or a project to fund and beyond something that has goals and accountability statements.

• Communication is critical. It can provide symbolic, interpretive, transactional context; a tool used to create shared meanings. Without the context, there is not shared meaning. Without the shared meaning, there is not a connection.

• As community development professionals, we often go into neighborhoods wanting to do something, and without knowing their traditions, language and customs, we get frustrated because it fails. [It fails] because we did not even start with what is it that we need to know before we even go into the group.

• When people and communities build a values culture in which there is a respect for people, those types of values within any business, government, organization, business or community leads to: opportunities for innovation, enhancing customer success, satisfaction, value for end-users, positive image for community, acquisitions, motivating skilled workers in workplace and new revenue streams. Values should inform relationships with suppliers, customers, members of the community,
employees, academia, faith community, business community and culture community, all in a way in which people want to work together because they know it betters the whole society and the whole culture.

• “Glocal:” a term that describes bridging what you do locally on a global scale.

MEMORABLE QUOTES:

“Community development is embedded in this life-giving, character-building value system that is within the culture of every component of our society, whether it’s at the family level, organization level, neighborhood level, national level.”

“Community development embodies umbuntu, a Nguni saying, roughly translated to ‘the quality of being human.’”
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Ruth McCambridge—Executive Summary

BIO:

Ruth McCambridge is editor-in-chief of The Nonprofit Quarterly, an innovative journal for nonprofit leaders. Its overarching editorial goal is to strengthen the role of nonprofit organizations to activate democracy. In 1999, she transformed the publication into a national journal. McCambridge has more than 35 years of experience in nonprofits, primarily in organizations that mix grassroots community work with policy change. Beginning in the late 1990s, she spent a decade at the Boston Foundation developing and implementing its diverse capacity building programs.

SUMMARY:

Nonprofits exist for the purpose of activating democracy. Although there is a current trend toward a franchised model of community development programming, this doesn’t often work because the political and funding conditions that make a program successful in one area cannot always be replicated in another, and communities themselves often reject programs from other areas. In contrast, the network model, in which there are community-based organizations that are linked centrally in at least one network and maybe multiple networks, is considered highly valuable and successful. Such networks help organizations share their practices, help research to be done, surface resources that allow the entire network to work in more productive ways and allow people to sit with one another and spark ideas. As a community of nonprofits, we should avoid siloing in our sector and embrace research as a way to maintain and gain funding and credibility.

KEY TAKEAWAYS:

• At The Nonprofit Quarterly, the business of publishing was transformed from a quarterly publication to a daily one to adjust to the changing nature of the publishing world and to respond to the “shifting tectonic plates” in the relationships among nonprofits, governments and philanthropies.

• “Internal philanthropy” is a way of life for many nonprofits and those in the community development profession.

• Regarding budgets—there is a happy medium that is good for the industry. Budgets that are too big tend to result in executive pay that’s too high. If they are just right, we are nimble in our work and can pick up when we can see an opportunity in front of us and get out and market something and sense when something is coming down the pike. If they are too small, they are hard to live within. Unfortunately, a good part of the sector is stuck in budgets that are too small.

• Two examples of the successful network model include: Community Health Center Network—
Ruth McCambridge—Executive Summary (cont.)

Positioned itself as the obvious choice for primary care in communities and poised them for growth under the Health Reform Act and The National Alliance for the Mentally Ill (NAMI), which has 1400 chapters around the country.

• The local culture and local development of our network ties create: 1) a political base—and we don't realize how profound an asset that is; 2) It creates a groundness in our issues that we could not get in any other way.

• The local relationships between us geographically are very important, because what that provides us is the same thing we get at the national level, which is local intelligence.

• We have to jolt ourselves out of our ordinary way of thinking. Creativity incites a brand new way of thinking.

• We need to be better at our own ability to tell our story. People are working so hard we are not celebrating the enormous successes. We're also not using our power bases in as conscious a way as we need to.

• One thing that will not go away about this period is the emphasis on research and results. We may not be able to do that in our individual organizations, but we absolutely have to participate in making sure that it gets done. Then we have to cite the chapter and verse about the research we’re basing our work on and make others understand the framework we’re working from.

• Once someone feels empowered, it’s hard to take that away.

• We need to take the thing that is our biggest asset—the people we work with—and move it into a place where it’s producing power, ideas and connections.

MEMORABLE QUOTES:

“If you don’t have the capital to effect transformation, the capital is you.”

“The best possible way to create a political power base for yourself is to engage the people for whom a work is supposed to benefit. If you do not do that every day in every way, you are missing the boat.”
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Ray Boshara—Executive Summary

BIO:

SUMMARY:
Several periods in our American history can be studied to understand what has influenced our “social contract.” One key period is from the 1890s to 1920s, which is known as the progressive era. The progressive era is characterized by social insurance and safety nets, such as the creation of the New Deal and the Federal Reserve. Today, we as a nation suffer symptoms of a broken and outdated social contract and are in what’s been dubbed the next progressive era, marked by income inequality and zero job creation, among other economic indicators. To remedy this, Boshara advocated a turn away from a national goal of consumption and toward that of production, an environment that favors entrepreneurism and small business over its recent trend toward consolidation, and a move toward building assets and capital, rather than simply income, especially among low-income individuals. He advocates relationship banking, specifically citing the value of community banks, credit unions and CDFIs. The current recession indicates that we are coming to an end of an economic era. He concludes that the next social contract and what replaces the American consumer as the engine of our economic growth has yet to be decided, and states if there was ever a time to innovate, ever a time to be bold, ever a time to have impact with local, state and national leaders, the time is now.

KEY TAKEAWAYS:
• The economy has been growing over the last generation, but it’s not growing evenly. The returns of a growing economy increasingly are going to those at the top and leaving a lot of people with marginal growth or no growth whatsoever.
• According to the Fed’s 2007 Survey of Consumer Finances, the lowest 25 percent of the population (net worth), plunged 37 percent from 2004, before the economic downturn. One in eight Americans has a debt problem; one in four if you’re poor. One in three Americans has a net worth of less than $10,000 and one in six has a negative net worth. How can these families move forward without some stock of resources? Inequality is not the problem; the issue is that low-income people do not have the capital to move their lives forward.
• Beginning in the 1930s, American consumers drove economic growth. American consumption, no matter where it’s made, accounts for more than 70 percent of economic growth in the U.S., and 25 percent of the world’s economic growth.
• The problem is that we financed that consumption through debt. We became overleveraged at the household level and at the national level. One of the reasons the house of cards came down is that we could not absorb any more debt.
• In the 10-year period from 1999 to 2009, there was zero net job creation in the economy.
• Why have we not created enough new jobs to offset the ones being destroyed? We have too much
Ray Boshara—Executive Summary (cont.)

concentration in too many industries stifling entrepreneurship and stifling innovation. This started around 1980 when regulators came to redefine what is fair and not fair about whether to allow companies to consolidate. Massive consolidation stifles innovation and entrepreneurship.

• We need to see more community banks, credit unions and CDFIs. In 1985, there were about 14,000 community banks; there are about half that many now. For every $1 of capital or equity into a community bank, it returns $7 to $8 in loans to families and businesses; the leveraging is remarkable. One of the sources of this capital should be savings and IDAs from low-income people. But to really thrive, community banks need access to long-term patient capital, and Boshara would like to see the creation of a fund or trust that gives access to this patient capital.

• Relationship banking has to be at the heart of how we manage finances, make loans and generate savings. We need to have relationships back in the equation. The trend over the last generation is to have more space between borrowers and lenders, which led to the mess we’re in right now. If we went back to relationship banking/community banking, we can restore the trust. The failure rate of big banks is seven times the rate of community banks.

• Focus on accumulating capital at the individual and household level. Use an asset-building framework; not just income, but assets are necessary to get ahead. Lack of income means you don’t get by; lack of assets means you don’t get ahead. When you own things you feel different; you are engaged in the community, you take care of things. If low-income people own assets, it changes their outlook and behavior; they plan for their kids’ futures in ways they didn’t before.

• When low-income people are given the opportunity to save and build wealth, they do it. The poorest of the poor save a greater percent of their income than the better-off poor. It’s not a matter of income or race.

MEMORABLE QUOTES:

“The rising tide stopped lifting all boats evenly about 30-35 years ago.”
[Regarding inequality of growing economy]

“We know that when low-income people are given the opportunity to save, own, start businesses, produce, employ and create jobs, they deliver.”
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What are attendees saying?

COMMENTS FROM ST. LOUIS ATTENDEES:

What has been your greatest insight, learning or discovery so far?

“It is important to identify groups making progress, to see new faces and bring them together. The St. Louis Fed is in a good position to facilitate this.”

“Neighborhood banks are vital to economic development.”

“It takes people to do the work; people in the community taking an active role. Overcoming fear is important.”

“Ask yourself: Does the service you are offering make sense, from a cultural perspective, to those whom you are offering the service to?”
As American cities became abundantly overcrowded in the mid-20th century, people began to discover the affordability and extra space that neighborhoods in the suburbs provided. Once labeled, “the American Dream,” and the “good life,” the original suburbs are now struggling to survive—strapped for cash, with stores and families leaving the areas. The inner-ring suburbs are now suffering the same fate that fell upon inner-city communities. And as they become more integrated, there is a historical pattern of flight—the fleeing of white homeowners to more distant suburbs. This documentary is the story of how one citizen movement in the town of Pennsauken, N.J.—midway between Camden, New Jersey, and Philadelphia, Pennsylvania—took root, and through engagement of a community, became a model of intentional integration and a thriving community in an inner-city suburb.

KEY TAKEAWAYS:

- Today one-fifth of America still call these early suburbs home, even though they are losing populations and tax bases at a faster rate than cities.
- The early racial imbalance wasn’t necessarily intentional or noticed. Members of one race were only accustomed to being among members of that one race, and they simply weren’t aware of or thinking of race and/or integration at this time.
- During the migration to the suburbs, many in this movement only considered: What am I entitled to have going forward? Many now admit, in retrospect, that they failed to consider the impact of communities they were leaving.
- The first suburbs took off when returning WWII veterans, their brides and the resulting baby boom—fueled by federal housing programs—helped boost their growth.
- The Federal Housing Administration (FHA) guaranteed numerous bank loans against specific kinds of risk, but not everyone was welcome in these communities. For 20 years, the FHA provided mortgage assistance on a racially restricted basis. In fact, these federal policies solidified patterns of racial segregation, making it only available in segregated neighborhoods or suburban areas.
- FHA representatives graded neighborhoods based on risk; the riskiest neighborhoods were colored red on maps—thus leading to the coined term “redlining.”
- Despite being ruled unconstitutional in 1948, race-related housing-related covenants excluded Jews, African-Americans and other ethnic groups from moving into neighborhoods for decades.
- In 1968, President Johnson signed the Fair Credit Housing Act, outlawing all discriminatory housing practices, and people of color began to purchase homes in their neighborhoods of choice. Since the 1980s, the number of families of color purchasing homes has increased.
homes in the first suburbs has more than doubled, representing the first jump from the cities.

- This story of intentional integration began when Lynn, a white member of Pennsauken community, noticed in 1996 that months after an African American family moved in town, a ring of five houses went up for sale nearby, indicating “white flight.”

- Statistically, when towns are more than 50 percent people of color, or are integrated, they have lower property values and receive fewer services.

- Overwhelmed with sadness, this resident decided to take responsibility and created a citizen movement, Neighbors Empowering Pennsauken. This group met monthly at her dining room table to learn more from each other and seek to understand the true issues threatening their town.

- As Neighbors Empowering Pennsauken grew and wanted to make more significant changes, it sought to get the government on board and created the Stable Integration Governing Board—a township board created by Pennsauken leaders.

- With the help of an integration consultant, the group embarked on a new strategy called intentional integration. This requires partnerships with realtors and would intentionally integrate every aspect of town life—housing, schools and local government. They monitored Census data and took steps to maintain racial balance among all ethnic groups.

- During one phase, home purchases by whites had dropped to a record low. If this trend continued, the town would not be integrated but would instead be segregated again—this time populated primarily by families of color. As a result, an African American mayor found himself asking for more Caucasians to move into this town to achieve the desired integration.

- The group launched aggressive marketing efforts, including billboards, fliers and brochures, to attract potential buyers, based on its racial integration premise. They also worked with realtors and tracked their progress.

- The efforts paid off. By 2004, demand for Pennsauken homes was up among all groups, including a 40 percent increase in whites as new neighbors. But the next step was to integrate the town’s leadership. The group created leadership training opportunities and since has graduated a number of ethnicities, providing them an opportunity to become integrated into many levels of town leadership opportunities.

- Although Pennsauken has achieved much, they cannot do this alone. They seek regional cooperation of surrounding towns.

- Newer townships have the benefit of funding from state and federal construction programs, whereas older towns, like the original inner-ring suburbs, do not. They are left on their own to rebuild their aging infrastructure.

- The next step in this movement is to work toward policies that support regional cooperation so that all communities, old and new, can prosper.

- The way of the future is stable integration. To achieve this, people must educate themselves and exercise political will to use the resources they have. When Americans choose to do this, we will become a model for the world.