

**Fiducient Advisors, Nonprofit Investment Stewards Podcast  
Episode 45, June 1, 2022**

**How Can Mission-Driven Nonprofits Improve Performance in Today's Environment?  
with Sally Blount**

[00:00:00] Welcome to Nonprofit Investment Stewards with Bob DiMeo and Devon Francis from Fiducient Advisors, Bob and Devon are passionate about helping nonprofit organizations prosper. Whether you oversee endowment, foundation, or retirement plan investments, this podcast exists to help stewards improve performance, reduce costs, and discover strategies that enable your charitable organization to prosper and advance its mission.

[00:00:26] Now onto the show. Hello, and welcome back to the Nonprofit Investment Stewards podcast. I'm Bob DiMeo, and it's always good to be joined by co-host Devon Francis. On today's episode, we tackle a timely topic for so many nonprofits. How does your organization do more and do better? We have an outstanding guest who's helped several mission-driven nonprofits do just that. With so much facing nonprofit leaders in today's environment.

[00:00:56] Our listeners are in for some exceptional insights. [00:01:00] Before that. Devon, are you good to hear what our guest has to say about organizational change and improvement? Yes. How could I not be eager, Bob? I am so happy today that we are joined by Sally Blount, CEO of Catholic Charities, Chicago, which is one of the largest human service providers in the Midwest serving more than 500,000 people annually.

[00:01:21] But Sally is so much more. She is a professor of strategy at the Kellogg School of Management at Northwestern University, where she is also a proud alumni and former dean. She previously served as dean of the New York university undergraduate college of business. She was a record-setting fundraiser in two capital campaigns that were transformational to their institutions.

[00:01:42] She also sits on the boards of two Fortune 500 companies, Abbott Labs and Ulta Beauty. And I've got to say my 12 year old daughter, if she knew I was talking to a board member of Ulta Beauty, she might lose her mind. So, Sally, I'll talk to you afterwards about some free samples. And Sally [00:02:00] also serves on other non-profit boards.

[00:02:02] She is the author of two books and was named one of LinkedIn's top voices. The list goes on and on, but you get the picture. Sally, welcome to the show. Well, thank you so much for having me. Sally, we're so pleased to have you, and again, gracious of you to spend your time with us, with such an interesting background.

[00:02:20] Perhaps you can start out with what compelled you to take on such an important role at Catholic Charities. Well, I think if I were to start out, the first thing I just say is just the unbelievable gratitude that. I feel I have had the opportunity to have just an amazing life. And when I've looked back at that life and reflected on everything I've been able to do, I think one of the things.

[00:02:44] When you realize with humility, all that you've been given and you know, when you've been able to have the education that I've had as a social scientist and been able to work on the faculty of places like University of Chicago, New York University, Kellogg, um, when you've been able to do things, a [00:03:00] walk-in corporate boardrooms, you know, I've had the privilege of going places like Davos and the Aspen ideas festival.

[00:03:05] I mean, all of those things. And you look back on that life and you realize, it's been a life of privilege, an unbelievable privilege and very much mission-oriented privilege as an educator who's deeply committed to making education matter. But as I was rounding towards 60, I felt a call to step back and think more deeply about how can I serve.

[00:03:28] And my faith is very important to me and I spent two and a half years quite literally in prayer, trying to figure out how best to use my gifts in the phase of life. And I was honored when the Archbishop

of Chicago Cardinal reached out and said they were looking for somebody to help do a transformation at Catholic Charities.

[00:03:49] And while at first I was a little surprised, I said I don't know anything about human services. And he said, but you do know how to, uh, transform non-profits. And I learned more. I talked [00:04:00] to a lot of people and I realized, you know what? I think I could make a difference. And that is a gift, that is a gift to be able to be in a room in an organization that matters so much to so many people.

[00:04:13] Um, and to feel like you can make a difference. So speaking of transformation, Sally, your bio states that you're leading Catholic Charities through a three-year capabilities building and strategic planning process that will re-imagine Catholic Charities governance and deepen its impact as they prepare to serve those in need in an increasingly polarized and economically unequal post-pandemic world.

[00:04:36] That's a lot to take on. Can you share a bit about what is happening at Catholic Charities and what you're out to accomplish? So, as I went on my learning journey to find out what Catholic charities was about and what the broader ecosystem of services that it lived within, I learned that if you look at the income statistics, about the bottom 40% of our population has [00:05:00] little or no savings, which means they're a paycheck away from needing help.

[00:05:03] And if you look at the size of the Chicago metropolitan region, it's about 5 million people. And so that means that 2 million people in our region are a paycheck away from needing help. And if Catholic charities touches half a million of them a year, that means one in four of them are walking into one of our locations in a place of need.

[00:05:22] Now we've been in business for a hundred years, over a hundred years. And there's always a point in time as I've learned in any organization when I teach at business school where you've got to stop and say, are we doing the best we can? Are the systems we've got in place, the structures we've gotten placed, the reporting roles and the way that the job descriptions we've got in place doing the most we can for our clients?

[00:05:46] And I'm used to asking these questions because this is not the first time that I followed somebody who was in a job for 25 years. The person before me at Catholic Charities had been here for 25 years. Don Jacobs had been at Kellogg for 25 years. One of the deans preceding [00:06:00] me at NYU had been there for 25 years.

[00:06:01] And so this process of helping organizations stop, reflect and saying, are we doing the best we could do in this time, in this age is really important. So one of the first things I do is say, what set of human needs are we here to meet? And we take everybody through a discussion of what is our core mission and how does what we're doing today align with that core mission?

[00:06:19] How does our financial operating model help us with that core mission or distract us from that core mission? And then you sit and say, how are our people doing at it? How are our funders feeling about it? And inevitably, in an organization, you learn a lot when you ask all those questions.

[00:06:37] And so that's the process we've been taking the team through. So it sounds like essentially it's an exercise of re-evaluating and trying to evolve the organization. Can you describe what some of the greatest challenges as you have undertaken this process have been? One of the phrases and yet we have four operating principles that we're working on at [00:07:00] Catholic Charities.

[00:07:01] As we, as we look forward. One of them we have is be aware of the lore and distraction of scale. So often in boardrooms, you hear people valuing scale, you hear them talking about growth. I mean, it is like one of those holy grails in organizational life. And yet one of the things you learn when you study human services is there are very few advantages to scale.

[00:07:28] When someone comes to us a need, they need us to be fully present to what their needs are, how we can help them in this moment, and what other wraparound services we might be able to get for

them. For example, somebody may be coming to us for food, but then we discovered that they've recently lost a relative and they can't afford the funeral for that relative.

[00:07:50] Well, if we discover that, we can not only give them food, but we can also get them burial assistance for their relative. And so that process of being fully present [00:08:00] to that person means that you can't be on sort of a time clock. You know, you can't be doing some sort of Frederick Taylor, you know, how many clients can we see a moment, you know, see a minute? That you really have to understand we're here for each human heart.

[00:08:14] And I'm actually glad that there's still some things in life where it's about simply being in the present moment and doing the best you can at that. And what that means when you serve over 500,000 people a year is that part of the exercise with the organization is making sure we have the people we need.

[00:08:33] When trying to meet those goals, to fully be present. And what happens over time, there's a well-known phenomenon of kind of the bureaucratizing of human services. And part of what I'm doing is just helping people breathe, helping people saying, do you need more resources? What do you need to combat burnout?

[00:08:52] What do you need to energize your team? That whole notion of scale, that whole notion of how we are really [00:09:00] present. It is a hard, hard, hard one. Sally, that's so important and so impactful. And I know you're still working through the process and working through the transition, but what are some of the wins that you're already experiencing along the way?

[00:09:16] And what lessons might you have for other nonprofit leaders attempting to affect change? So the wins we're having is we've been able to recruit some amazing people who want to help us on this journey because what we knew we needed was people who wanted to rethink the human services infrastructure.

[00:09:34] And I came in with a whole lot of knowledge about organizational growth and transformation and, and I use the word growth sometimes to mean growth in wisdom, not always growth in scale. And we've been able to recruit team leaders from Heartland Alliance who have a whole lot of experience in, in human services.

[00:09:50] We've been able to recruit some young, some young leaders from the Noble Charter Schools Network. Our new general council clerked for Ruth Bader Ginsburg. We [00:10:00] have, um, our HR person, our HR team is now led by a former partner from Grant Thornton. Our chief communications officers come to us as a former, um, a team member at Feeding America, just incredible, incredible people want to come help.

[00:10:15] And that, that energy to assemble the team we need to really think about how we do this better, how we do more coming out of the pandemic. It's amazing how many talented people have committed their lives to nonprofit. And I think spending so many years sitting in business schools, it is so wonderfully energizing and refreshing to meet them and to want to help equip them.

[00:10:40] So Sally, let's talk a bit about governance. What do you think makes for good governance in a nonprofit organization? Well, I think the question is what makes for good governance, period? I mean, basics that we all know about is your board should be less than 20 people. Because more than that, you're not going to get meaningful discussions, [00:11:00] and you're not going to be able to deal with hard issues.

[00:11:01] You need to have term limits. You have to have a clear understanding of the financial operating model. You have to have a clear understanding of the purpose of the organization and how to measure progress and impact against that purpose. That stuff is really straightforward and seems really simple. And yet, a lot of what I've learned is that nonprofit boards tend to confuse fundraising with governance and that the boards often shy away from asking the really tough questions about the financial operating model.

[00:11:30] And they're not quite sure how to, uh, hold the leaders accountable for measuring impact. And these are hard, hard problems in the for-profit sector, but in the nonprofit sector, we're just beginning to get there. And so, I think my big lesson is, is it's not about non-profit versus for-profit. It's about good governance, period.

[00:11:50] That's really helpful. So that's clearly something that you've brought from the corporate world to the non-profit world, which I'm sure is a really, uh, interesting and [00:12:00] helpful perspective for folks that may not have ever served time in the corporate world. Do you have any thoughts on board or committee structure and how best to optimize the structure of, of certain groups?

[00:12:11] And I'm thinking perhaps in terms of size, uh, in terms of term limits, which you, you made reference to perhaps in terms of diversity, equity, inclusion, belonging, any thoughts on that? Well, I think Mellody who was one of your prior speakers, did a great job at talking about DEI and especially in the nonprofit sector where the majority of the people that we serve are not Caucasian by nature.

[00:12:35] It's incredibly important that we attend to that in the composition of our board, but even more important than the composition, it's the process you put in place to allow the hard questions into the boardroom and to allow them to get fully addressed. And that's again, why I go back to smaller rooms.

[00:12:52] It leads to more meaningful conversations. So, I think committee should have no more than 10 people and more closer to six or eight personally, because [00:13:00] again, if you really want to dive into things, it's both having the time to be present to all the people in the room. And it's also the psychological experience of the people in the room that they are accountable.

[00:13:11] For diving into the content. There's a whole lot, you know, I am trained as a social scientist, a social psychologist, and all the research shows that when you get too many people in the room, our brains shut off, no matter how smart we are, our brains shut off when you get too many people in the room, because we don't think our input matters.

[00:13:28] And that's why smaller is better is you want people fully engaged in the mission, you want them fully engaged in a financial model. I think that nonprofits are heading into a harder time than ever coming out of the pandemic. I'm really worried about human services spending. We can talk more about that, but there's going to be so much pressure on the federal government to increase defense spending coming out of this year.

[00:13:50] But I hope as an episode with Ukraine, but it could be a much longer, very difficult process. And we've gotta be thinking hard about the funding for nonprofits. We've got to be [00:14:00] thinking hard about how do we make sure that they stay on track with their strategy? Because I've learned that a lot of people in nonprofit know how to be busy.

[00:14:09] But that process of stepping back of are we really having the impact we seek to make is incredibly, incredibly important. You probably didn't know this, but most of the human services providers that you're familiar with in Chicago or anywhere else tend to be 60 to 80% government funded. Now, that shocked me.

[00:14:28] I had no idea of that before I came into Catholic Charities. And what I've learned that means for our people on the front lines is that when they go to give rental assistance or they go to give other kinds of financial assistance, the number of forms that they have to fill out before we can give that money to our clients can sometimes be 5, 6, 7, 8, 9, 10 pages to give out that money.

[00:14:55] One of the things we've got to figure out is that doesn't, what it means [00:15:00] is you're serving fewer people than you could serve. And it means that there are a whole lot of processes around Catholic Charities that have grown up that look like it because they're used to doing that kind of thing. I talked to board members.

[00:15:12] They didn't even know what the client intake process looked like. Right? Because we were so busy managing at scale. We were so busy managing, you know, a \$200 million sort of portfolio of

expenses and landing the budget every year. But going back to those basics and being able with the board to go back to those basics is what is the client experience?

[00:15:32] And is it what we seek it to be? And again, you need time. You need engagement and you need a commitment to really understanding why are we here? That's very insightful, Sally, and, and we actually, Devon and myself, we, we have the good fortune of understanding that funding and where it's coming from, just working with so many nonprofit clients ourselves.

[00:15:58] But I agree. I think it's [00:16:00] generally misunderstood. And then even when they hear, oh, it's government-sourced, then it's even misunderstood. Oh, well they're flushed with cash and that's usually not the case at all. And I know Catholic Charities from my involvement there over the years and, and other organizations.

[00:16:19] Quite frankly, it, it can be a real challenge to make a go of things with just the monies that you're receiving from donations and from government funding and such. So let's talk a little bit about investments and maybe the role that the investment portfolio does or not, or does not play in Catholic Charities' budget and initiatives and things of that nature.

[00:16:40] Absolutely. Well, Bob, as you know, every single dollar counts in what you do. And we have a committee at Catholic Charities that manages our endowment. They have investment strategies. You know, these are all folks who did this kind of work for a living full-time and we're deeply grateful for their time and energy.

[00:16:59] And [00:17:00] yet at Catholic Charities with an endowment of about 80 million on an annual budget of about 200, um, only less than a couple percent, roughly 2% of our, our operating expenses are covered by endowment. And that's a little different than say on the board of the Joyce Foundation, where I sit, where we have an endowment of 1.4 billion.

[00:17:21] And so I have to confess, I spent a little less time on it at Catholic Charities as a result. I think it's in good hands. But I do think there's a number of really great discussions happening in boardrooms around the country about how does investing within the endowment for this nonprofit align with the mission of the nonprofit?

[00:17:40] And I think there's some really exciting conversations happening about the things maybe that you avoid investing in, about the things that you invest in more deeply because it's aligned with your mission. And I think we're entering a new era of endowment investment in nonprofits precisely because of these questions.

[00:17:58] So it sounds, Sally, [00:18:00] like perhaps you're alluding to conversations are around ESG investing, socially responsible investing, DEI investing. Are those the conversations that you're referring to? And if so, what you know, what role do you think ESG investing plays currently or may play in the future when it comes to portfolios like these?

[00:18:20] Well, that's exactly what I'm referring to. And I think the idea is, um, for example, if you were to Catholic Charities, you would want to be really mindful of what stocks you are investing in. Maybe if people didn't, you know, you might be wanting more mindful of what people's DEI strategies are, right?

[00:18:37] In the kinds of stocks that we're investing in. You might want to be more mindful of what their worker policies might be because again, part of what we're dealing with is supporting the working poor. And so I think what it begins to, the questions it opens up for boards is, how much time do we spend evaluating the stocks we're investing in? Whether they're consistent with the values or the problems we're trying to solve [00:19:00] on a mission level? Um, at the Joyce Foundation, we're big into water quality of the Great Lakes, while we've got to start really looking at what the stocks.

[00:19:08] We're investing in how they're doing on water quality, right? How they're doing on accountability and sustainability for reducing water usage over, let's say the next 20 or 30 years. I just think there are a whole lot of conversations that we're all going to begin to have about not just the returns we're getting, but how does that reflect what our mission is?

[00:19:28] Because it's kind of ironic. If you're investing in things that are not good for, you know, that are creating more clients for Catholic Charities, then we're actually not being consistent with our mission. And I think one of the beauties of getting to do nonprofit in a faith-based setting, and this is a lot of what really drove me to this job.

[00:19:44] And what I tell our team is, you know, we all make compromises at work, no matter what you do, in higher ed, in all of these things, even when you're an mission driven organization, there are compromises you have to make. But my view is, is that when you are here to serve those most in [00:20:00] need, and you're doing it under the auspices of a faith-based organization with very strong values of being present to the other, love, you know, love your neighbor as yourself.

[00:20:10] We have the opportunity to create a very special culture and hold ourselves accountable in a unique way to how we treat the people who work at Catholic Charities, how we welcome every single client into our doors. And I just kind of tell the team, I say, if we can at Catholic Charities create the most inclusive, welcoming, high-impact culture.

[00:20:32] You know, where can you do it? And that's, what's so exciting about the nonprofit, right? If we can't do it, where can you do it? And I love that challenge. I mean, it's, what's getting, it's what gets me up every day right now of how do we create that for people? Because people are so hungry for purpose. I've done a lot of writing in the corporate sector about corporate purpose.

[00:20:53] People everywhere are hungry for purpose. And, and it gets back to sort of, what does your company do and how, and [00:21:00] your organization do, and how do you make sure investing's aligned with it? How do you make sure the contracts, when you've got these huge government contracts, how do you make sure that in administering those you're staying aligned with it?

[00:21:10] It is so easy at scale to get distracted. I've seen that in corporate and now I'm living it in the nonprofit world. And, and if that, that, if there's a big message that I would take away from this, one of them would be, uh, beware the allure and distraction of scale when you're in the process of serving people in.

[00:21:29] Sally, that's very helpful on many fronts. I feel like we almost could have done an entire episode just on organizational change in the nonprofit world and governance and investments and so on. You've shared great insights. Anything else you'd like to share or emphasize for nonprofit leaders who do seek to do more and do better?

[00:21:49] I am a big believer in portfolios, as you might imagine. And as you know, every portfolio needs exposure to a basic set of equities, like the S and P 500 or the Wilshire [00:22:00] 5,000. I would argue that when it comes to investing in nonprofit, that the human services safety net is a core equity for our country.

[00:22:08] It's, it's a core part of being who we are as a democracy. And I'm a big fan as a result of what McKenzie Scott is doing as one of the wealthiest people in the world, much less one of the wealthiest women in the world. She is demonstrating an unbelievable understanding for the role of the safety net.

[00:22:26] And she has this great quote in one of her recent blogs, communities with a habit of removing obstacles for different subsets of people tend to get better for everyone. And that notion of communities with a habit of removing obstacles, that idea of taking those, care of those who have been left behind, have a tendency to get better for everyone.

[00:22:50] That is a beautiful, beautiful thought that inspires her giving. And, and that's the piece I've learned from Catholic Charities. There are all kinds of fancy new nonprofits. [00:23:00] They're always new non-profits being made every year, but on some level, if we're really living our identity as a democracy, as a place that cares for each voice, we can never stop investing in the safety net.

[00:23:12] And so I would encourage everyone in their philanthropy to always, always have a chunk of their money that goes to the safety net. Um, whether you're a foundation or an individual giver, I think

really thinking in a portfolio way about how you're living your values is incredibly important. That is incredibly important and incredibly moving also.

[00:23:32] And you know, so much of what you've shared today, I jotted down a couple things that you mentioned that Catholic Charities, that the goal is to be here for each human heart and you open up your introductory remarks about, you know, approaching, um, your everyday life with an attitude of gratitude. And I think just so much of this is really powerful and meaningful.

[00:23:54] And I thank you for sharing that with us. Um, so let's learn just a bit about Sally, the [00:24:00] person before we let you go. When you're away from work and your many volunteer activities, what do you truly enjoy doing in your free time? Well, I love family. I love exercising. I love walking. Um, I love cooking.

[00:24:14] You know, I'm a really simple person in my free time. Uh, you know, I think that gets back to the gratitude. It is amazing what the pandemic has taught us about how simply having time to be present to your own life, how gratifying that can be. And I, I feel like that's one of the biggest gifts we all got to take out of it.

[00:24:29] It was just the process of being present to our home lives and just the day-to-day activities is really powerful. Really, really powerful. Absolutely. Well, Sally, thank you so much for the beautiful words that you shared and your time and your expertise. We are, we are grateful for you. Um, so we appreciate you joining us.

[00:24:49] If listeners want to learn more about you, learn more about Catholic Charities, how would you direct them? So please feel free to send an email to me at [SBlount@catholiccharities.net](mailto:SBlount@catholiccharities.net). [00:25:00] That's [Sblount@catholiccharities.net](mailto:Sblount@catholiccharities.net). I'd send us to our website, we're in the process of overhauling it. So it's not our best, you know, it's kinda like when your house is being renovate, renovate, and it's all got all kinds of scaffolding in front of it.

[00:25:15] It's not showing its best self. So please, if you're interested in learning more about the safety net, if you're interested in learning more about Catholic Charities' role in it, be happy to answer any questions people might have.

[00:25:27] Sally. thank you so much. I really, on behalf of our listeners and for me personally, you know, in our roles of Catholic Charities, uh, I know you on one level, but it's really a treat for me to have this, uh, the separate time and different insight from you. So thank you so much. Absolutely. It's been a delight.

[00:25:47] Thank you. So, Sally is clearly tuned into change and evolution in the nonprofit world. As endowment investment consultants, we also strive to provide insights on trends to nonprofit leaders. I think [00:26:00] our listeners might like a new piece from Fiducient Advisors that addresses nonprofit fundraising and the role of cryptocurrencies.

[00:26:07] It's a new world out there. You can find that and a whole lot more at [fiducient.com](http://fiducient.com). So, to all you good stewards, thanks for investing your time to help your nonprofits prosper. We'll connect with you soon on the next episode. Thank you for listening to the Nonprofit Investment Stewards podcast. Click the subscribe button below to be notified of new episodes and visit [fiducientadvisors.com](http://fiducientadvisors.com) for more information.

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