

September 2006

Lorna Bourg  
Reflection to the Board

---

The last twelve months represent an extraordinary period in Southern Mutual Help's 37-year history. Essentially the entire mission and work of SMHA has been sharpened and made more challenging as a result of our nation's largest natural disaster that occurred across southern Louisiana when Hurricanes Katrina and Rita hit this time last year.

Everything in our past experience -- all our training, institutional memory and culture and, even more importantly, our partnerships -- equipped SMHA to immediately and effectively "step to the plate" even as most American institutions failed.

The results of SMHA's Rural Recovery Response is beyond impressive and can be seen on our website and in our reports, and one day will be read by others in our archives.

Hurricanes Rita and Katrina delivered a disaster of biblical proportions. SMHA crafted a bold response. Sometimes crisis and our response to it give us a clearer picture. Today we can get a unique view of SMHA's challenge and determination to end poverty in Louisiana's rural communities. The work cut out for us begins to take a clearer shape and jogs my memory of Chair Marion Overton White's statements over the course of four decades:

"You can build houses, but what's happening inside the people themselves?"

"If we're ever going to make justice happen, people need to learn to live together."

"America is about accumulating too much stuff."

"It's the affluent, not just the poor, who must be educated and whose hearts and minds must change."

SMHA has long emphasized asset-building strategies for rural families, but we must also focus on asset-building for SMHA. I recently heard Ambassador James Joseph speak quite cogently about five types of capital needed by organizations like SMHA if they are to achieve mission success:

1. *Conventional Capital* -- money, tangible assets like property, endowments, reserves and operational funds.
2. *Social Capital* -- the networks that connect us to one another, relational processes and connecting events.
3. *Intellectual Capital* -- the personal, collective, institutional “smarts” to be appropriately adaptive and innovative.
4. *Moral Capital* -- the asset of always defaulting to justice, to build communities that reflect that value, to have integrity in our dealings and accountability.
5. *Reputational Capital* -- to be known as reliable to the mission of justice, to be able to be counted on, to be known to be able to deliver on our word and to keep our commitments.

I will discuss the first three briefly for it is the latter two that, in my opinion, will most challenge SMHA as it strives to create a sustainable institution that will be true to its mission.

The *conventional capital* needed to achieve SMHA’s mission is huge. SMHA’s lending arm, Southern Mutual Financial Services (SMFS), needs to move 50 million dollars a year in affordable capital just for home ownership acquisition. The business capital needed for small and medium-sized rural business development and expansion is also significant. SMHA’s talent-team will require more sophisticated specialization in finance, management, innovation, land-use planning and development. Generating the resources needed to have significant impact and to insure that the impact is sustained requires endowment dollars, operational monies to afford the higher-end talent on staff or contract and reserves to allow for downturns in economy and to implement innovative ideas.

SMHA's broad-strokes plan for resource development is to have clarity of vision and perseverance in pursuit of that vision. SMHA must attract and grow the talent for resource development. More importantly, SMHA needs to be seen by persons with resources as creating value. Both of these imperatives can be achieved by establishing a Council of Leaders who know and support SMHA.

The *social capital* needed to achieve mission must exist in several sectors:

- The constituency validates, informs and shapes SMHA's work.
- The not-for-profit partners and intermediaries such as Rural LISC, Oxfam, Coastal Enterprises, Inc. and SEACorp, just to name a few, allow for peer-to-peer learning and mentoring and give access to new models, methods, products and procedures.
- The corporate sector will learn from SMHA and the poor.
- SMHA will learn to be more entrepreneurial from business partners such as supporting financial institutions.
- Government contacts will keep us informed on policy and SMHA will inform the making of relevant policy for the poor.

The *intellectual capital* needed to be innovative (innovation being one of the strongest hallmarks of SMHA and repeatedly cited by funders as unique) is critical but obtainable by careful hiring, strategic partnerships and thoughtful contractual arrangements.

As I am in the final third of my career, I reflect on the two areas I'm most concerned about for the sustainability of SMHA and its long-term ability to achieve the mission of building healthy, prosperous, rural communities.

I've come to believe that SMHA and most not-for-profits will be most challenged by trying to sustain **moral capital and reputational capital**.

I seldom see staff of many not-for-profits default on the side of justice, on the side of the poor. I do not mean not-for-profits do not have dedicated, committed staff who care about the poor. Quite the contrary. Visitors and funders often comment on the dedication, generosity and compassion of SMHA's staff. I've seen the same spirit in other groups across America. But I believe it is easy for staff to default to the "technical fix" rather than the analysis of the underlying change needed or the justice issue that needs to be addressed. The moments of day-to-day ordinary operations will yield the opportunities for change and justice if we but "see" them. This takes unique ability, not so much to be outraged by injustice for we might all be outraged if the issue is presented clearly enough, but to actually "see" the opportunity and to seize it.

An excellent example is the [latest case with Attorney Phil Larson](#) of the Hogan and Hartson law firm on SMHA's challenge to overturn the USDA's Rural Housing Service decision which hurt poor families. A "technical fix" to comply with the USDA was the initial response. At first, there were either no "eyes" to see, no mind-set to analyze or no heart to challenge. This is the moral capital SMHA must build into its future. It shall be challenging to do so at a time when even more technical and financing skills are required. The justice issues are to be found in the nitty-gritty of work-a-day matters but which can be overshadowed by the increased technical requirements implied in an asset-building strategy.

SMHA's challenge is to institutionalize the capacity for moral capital within SMHA. We know, for example, the steps that need to be taken to attract conventional capital: clarity of mission, case statement, talent on staff, research about possible donors, diversified sources of funding, etc. SMHA must, over the next five years, get as savvy about developing our capacity for moral capital. I recommend three actions to start:

1. Clarify the challenge before us.
2. Gather good minds to structure an institutional response.
3. Implement the response in job descriptions, evaluations and internal audits around moral capital just as we have annual audits around conventional capital.

Finally, I have a concern about SMHA's ability to sustain the enormous *reputational capital* we've built up and to increase the reputational capital in areas where it is weak. Two recent events make this clear.

1. The hurricanes of 2005 challenged all of SMHA's systems (without strong senior leadership, dedicated and willing staff and a call on outside help, many systems which began to break down could have been permanently lost).

A chief operating officer could help this in the future.

2. The Teche Ridge charrettes, meetings on SMHA's mixed-income, mixed-race and mixed-use, neighborhood development, showed SMHA the challenges and possibilities in doing popular education on justice issues such as how we'll live together as a people -- how we'll structure our communities. SMHA must protect and sustain its good and best practices and build its reputational capital locally. Local "not-in-my-backyard" residents need to see their own quality-of-life enhanced as a result of new paradigms -- painfully letting go of old ways that have divided us in community. It is not easy to change the "game-plan" society has prepared for them and judged them by -- especially for someone else's vision of how we should live together or use our land. We must honor their pain and move forward at the same time.

### Conclusion:

I believe the five types of capital are essential for SMHA's board leadership to understand. It could be helpful to use in any analysis of current and future leadership both on the board and on the staff.