

Broad Investments

An Interview with Eli Broad, Founder, The Broad Foundations

EDITORS' NOTE After working for two years as an accountant, Eli Broad, along with Donald Kaufman, founded a homebuilding business called Kaufman and Broad Home Corporation. In 1971, Kaufman and Broad acquired a small life insurance company for \$52.1 million that they eventually transformed into a retirement savings empire. With the merger of SunAmerica into AIG in 1999, Eli Broad stepped down as CEO and



Eli Broad

turned his attention to philanthropy full time. The Broads had created a family foundation in the '60s as a way to support their charitable interests and causes, but refocused their charitable giving on venture philanthropy. Eli Broad was the founding Chairman and is a life Trustee of The Museum of Contemporary Art in Los Angeles; he is a life Trustee of the Los Angeles County Museum of Art and at the California Institute of Technology; and he's currently a Trustee of The Museum of Modern Art in New York. Broad is also a Fellow of the American Academy of Arts and Sciences and, in 1994, was named Chevalier in the National Order of the Legion of Honor by the Republic of France. In 2004, he became a Regent of the Smithsonian Institution by appointment of the U.S. Congress and the President, serving until 2009. In 2007, Eli Broad was awarded the Carnegie Medal of Philanthropy. He attended Michigan State University, graduating with a degree in accounting and becoming the youngest CPA in the state's history.

ORGANIZATION BRIEF With assets of \$2.1 billion, The Broad Foundations (www.broadfoundation.org), which include The Eli and Edythe Broad Foundation and The Broad Art Foundation, were established by entrepreneur and philanthropist Eli Broad to advance entrepreneurship for the public good in education, science, and the arts. The Broad Foundations mission is: transforming K-12 urban public education through better governance, management, labor relations, and competition; making significant contributions to advance major scientific and medical research; fostering public appreciation of contemporary art by increasing access for audiences worldwide; and leading and contributing to major civic projects in Los Angeles.

With so much need out there, how do you define the key focal points for The Broad Foundations?

We're involved in education reform, the arts, and scientific and medical research. Our family has always had a foundation; for 26 years, we've had an art foundation, which lends artworks to museums throughout the world. When I stepped down as CEO of SunAmerica, our family got a bit of money, which we put into our foundation.

I concluded that our biggest issue in America was K-12 education as a result of my visits to Japan, India, Korea, China, and certain European nations, who are all doing a far better job educating their kids. I was fearful for the future of America if we didn't dramatically improve our public schools.

We created a number of initiatives including an academy to train superintendents or chancellors, and a residency program to put MBA graduates into school district administration, an area they don't normally go into.

There are 350 people we have trained and that has made a huge difference. For example, the head of education in New Jersey for Governor Christie is someone we have trained, as is the number two person at the New York City Department of Education, the education heads in several other states, and the Assistant Secretary for Elementary and Secondary Education at the U.S. Department of Education.

We also created a \$2-million prize in public education, which is going on its 10th year and is viewed as the Nobel Prize for education.

So education is where we have the most people, the most energy, and the most frustration, but also where we are making the greatest gains.

Even with the increased focus on K-12 education by so many leaders, problems persist. Why haven't we been able to make more gains?

The reason we haven't been able to make more gains is that adults keep defending the status quo. Changing that is a real struggle.

President Obama wants to see change guided by the Secretary of Education, Arne Duncan, who we've worked with from the day he became Superintendent in Chicago. The Democrats for Education Reform have broken ranks with the teachers unions and want to see change. There are also labor leaders such as Andy Stern, who headed SEIU and is on our

foundations' board of governors, who know that we have to change education.

Are you optimistic that change will happen?

We may be at a tipping point with the President's and Secretary Duncan's Race To The Top, which led some 30 states to change their laws in a number of ways; with the movies *Waiting for Superman* and *The Lottery*; and with NBC's Education Nation programming, among other things.

Also, Michelle Rhee is starting a national education reform advocacy organization called StudentsFirst, which we support. She wants to get one million members and raise \$1 billion to try to do in various cities what she did in Washington, D.C.: get rid of seniority, have the ability to get rid of tenured teachers that aren't effective, and have incentive compensation.

So there is a lot going on that is slow, but it's starting to happen.

What will true success in education reform look like?

Success in education reform would include the following: a longer school day and school year, because our kids are only getting two-thirds to half of the academic hours they get in other countries; better teaching, especially in science and math, where we need teachers that have majors or minors in that subject, which means you have to have differential pay and incentive compensation for those teachers; you have to get rid of the seniority system, which is last in/first out; you need the ability to terminate or otherwise get the tenured teachers that aren't performing out of the system, and you need to raise the compensation for the most effective teachers.

Do you have metrics in place to measure the impact of your philanthropic efforts as you would have in business?

For the things we invest in – and we do call them investments – we want a return, whether it's improved student achievement or medical and scientific breakthroughs, or greater attendance in the arts. So we measure all of that.

We're not in the charity business. In other words, unlike others, we don't just write grants. We look at plans that people have to create a new institution or new program, we agree on a plan, we fund it, and then we measure it. If they're not accomplishing what they set out to do, we meet with them and give them another shot; and if it doesn't happen then, we stop the funding. ●