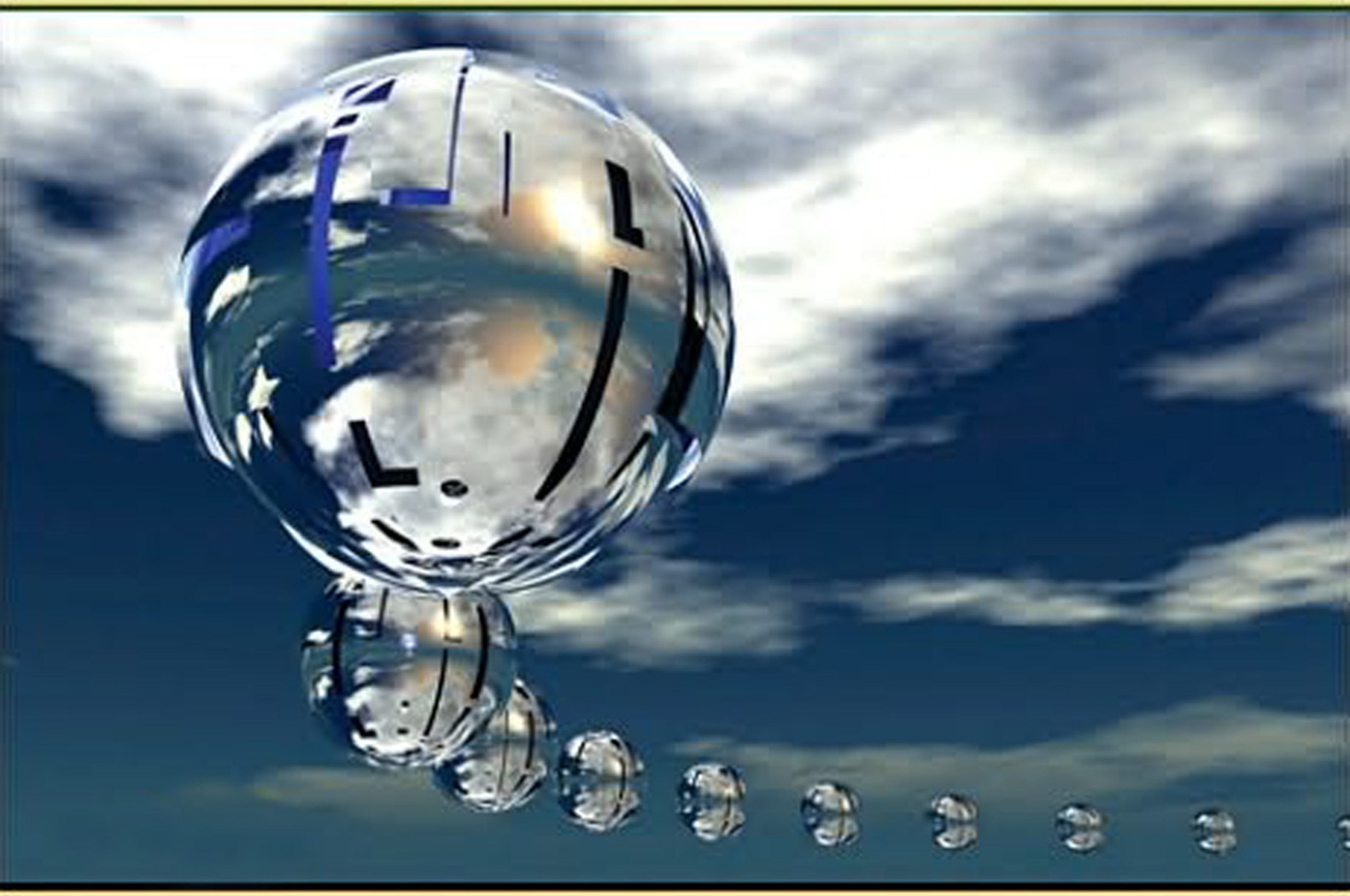
Leadership in Nonprofit Organizations

A Reference Handbook



Kathryn A. Agard

EDITOR

Leadership in Nonprofit Organizations

A REFERENCE HANDBOOK

Editorial Board

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Kathryn A. Agard

Grand Valley State University

EDITOR

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Foreword

When the editors at SAGE Publications approached me nearly 4 years ago to describe a new leadership handbook series they hoped to develop and to ask if I might be interested in serving as a series consulting editor, I was intrigued. From the viewpoint of a librarian who has worked with the Jepson School of Leadership Studies at the University of Richmond, I was familiar firsthand with the needs of both faculty researchers and undergraduate students and topics of interest and relevance. From this perspective, I collaborated with SAGE to develop a list that, over the intervening years, has evolved into a series of two-volume reference handbooks on political and civic leadership, gender and women's leadership, leadership in nonprofit organizations, leadership in science and technology, and environmental leadership.

It is my hope that students, faculty, researchers, and reference librarians will benefit from this series by discovering the many varied ways that leadership permeates a wide variety of disciplines and interdisciplinary topics. SAGE's *Encyclopedia of Leadership* (2004) has been an outstanding reference tool in recent years to assist students with understanding some of the major theories and developments within leadership studies. As one of the newest interdisciplinary fields in academia in the past 20 years, leadership studies has drawn on many established resources in the social sciences, humanities, and organizational management. However, academic resources that are wholly dedicated and developed to focus on leadership as an academic study have been few and far between. The *SAGE Reference Series on Leadership* will provide an excellent starting place for the student who wants a thorough understanding of primary leadership topics within a particular discipline. The chapters in each of the handbooks will introduce them to key concepts, controversies, history, and so forth, as well as helping them become familiar with the best-known scholars and authors in this emerging field of study. Not only will the handbooks be helpful in leadership studies schools and programs, they will also assist students in numerous disciplines and other interdisciplinary studies programs. The sources will also be useful for leaders and researchers in nonprofit and business organizations.

I would like to acknowledge Jim Brace-Thompson, senior editor, and Rolf Janke, vice president and publisher at SAGE Reference for their guidance, superb organization, and enthusiasm throughout the handbook creation process. I admire both of them for their intellectual curiosity and their willingness to create new reference tools for leadership studies. I would also like to acknowledge the faculty, staff, and students of the Jepson School of Leadership Studies for the many contributions they have made to the establishment of leadership studies as an academic field. Founded in 1992, the Jepson School of Leadership Studies is the only institution of its kind in the world, with a full-time, multidisciplinary faculty dedicated to pursuing new insights into the complexities and challenges of leadership and to teaching the subject to undergraduates. When I was assigned to serve as the liaison librarian to the new school in 1992, I had no idea of how much I would learn about leadership studies. Over the past 18 years, I have audited courses in the school, attended numerous Jepson Forums and speaker series, taught library and information research skills to Jepson students, assisted faculty and staff with various research questions, and engaged in enlightening conversations with both faculty and students. Through these many experiences, my knowledge and understanding of the field has grown tremendously, and it has been a unique experience to observe the development of a new field of study in a very brief time. I thank my Jepson colleagues for including me on the journey.

Lucretia McCulley, Consulting Editor
Director, Outreach Services
Liaison Librarian for Leadership Studies
Boatwright Memorial Library
University of Richmond, Richmond, VA

INTRODUCTION

Leaders of nonprofit organizations deliver programs and services vital to the quality of life in the United States. All the activities of our religious communities; the vast majority of the arts and culture, human services, and community development services; as well as education and environmental advocacies take root and deliver services in the nonprofit sector.

This social space is where various individuals and like-minded groups can organize themselves to "petition government." This sector is where individuals with common interests "peaceably assemble." "Freedom of religion" is expressed in the nonprofit sector. The nonprofit, or independent, or third, or charitable, or tax exempt, or volunteer, or philanthropic (all names used for these activities and organizations) sector is how "we the people of the United States" retain our sovereignty.

This reference volume engages a range of voices on issues and leadership topics important to those seeking to understand more about this dynamic sector of society. The authors include academic researchers and theorists who consider the role and function of nonprofit organizations in our way of life. Other writers of chapters are current sector leaders, practitioners with responsibility for key nonprofit and foundation organizations. Still other contributors are new PhDs describing current research and thinking about leadership in this sector. In total, these voices provide a wide range of knowledge and wisdom on these important topics.

The authors have been encouraged to speak from their own experiences, research, knowledge, and perspective. Some of the chapters are formal and academic in tone. Other chapters are informal and conversational. This diversity in the background of the authors and the presentation of their material is a direct reflection of the variety, vibrancy, and creativity of the sector itself.

By the same token, the chapters in this volume describe a robust and diverse assortment of organizations and opportunities for leadership. For readers interested in pursuing a profession as a nonprofit or foundation leader, there are several chapters defining the sector and describing its development in the United States. Only by understanding the language and definitions of their profession will emerging leaders be able to assume roles as thoughtful, reflective practitioners or researchers. Several chapters provide an overview of the history of nonprofit organizations in our country. Many issues that new leaders will face are rooted in the political, economic, and social theory of the nation and the history that frames the sector.

A major focus in this reference work is on the specific roles and skills required of the nonprofit leader. While many of these chapters might be defined as management chapters, each section details the basic requirements that must be mastered by the effective leader to consider and lead on issues of larger organizational strategy. With a deep understanding of theory and history, paired with mastery of skills and responsibilities of management, the nonprofit leader is prepared to assume the role of effective leadership.

Leadership can happen at any level of an organization, not only "at the top." Since everyone "has a boss," all leaders are also followers. Everyone reports to someone else who has power over what he or she does. These dual roles provide nonprofit leaders with opportunities to gain insight into their own leadership styles and preferences as they observe the leaders who have authority over their work. Leaders can be men or women, or even children. They come in many shapes and sizes and ages. Personalities vary as do their personal styles. Many nonprofits are so small that there is not the luxury of making a distinction between management and leadership, hence in every area of the organization there is the opportunity for both.

Leadership also occurs in many places. The mid-level manager in a nonprofit organization might be the choir director in her religious community. The secretary might be the president of the Junior League outside of work. The janitor might be an Eagle Scout adviser or a captain in the Salvation Army. The executive director might work as a server in a local food pantry. The volunteer board member, leading a large corporation in the community, may help his fellow board members from the women's shelter paint playground equipment for the agency children. Several chapters explore the nature of leadership and its complexities, as exemplified in the nonprofit sector.

The chapters in this handbook can be read in order, starting from the general definitions of the sector and working through final chapters about leadership. A reader can also select a specific section that groups chapters addressing an aspect of leadership of nonprofits. Finally, the reader can simply pick and choose chapters based on an individual question or area of interest.

The appendices include a number of resources for readers who want to pursue a deeper level of understanding. These appendices include annotated descriptions of books, websites, and organizations. Appendix D is a set of chapters from the only high school–level textbook in the nation on philanthropy. These chapters offer a perspective on the nonprofit sector through the lens of the social studies disciplines taught in the high schools. Philanthropy related to government, economics, history, and geography is introduced in both the United States and from an international perspective. College students in related majors, such as political science, economics, U.S. history, and geography, will find these chapters useful in directly applying their academic field of study to their interest in nonprofit leadership.

This is a large, independent, diverse, and dynamic part of our society. In many ways, the new ideas generated by volunteers and citizens acting to solve problems keep our society fresh, changing, and vibrant. In the United States, when people see a problem or envision a better world, they bring together their friends, form a nonprofit organization, roll up their sleeves, and "do it themselves." Not only is the government not threatened by this citizen engagement in solving public problems but the United States provides a number of tax advantages to encourage and support this activism. The power of private citizen action for the betterment of the community helps define the American character.

Welcome to the world of leadership in nonprofit organizations. The sector offers a place to lead and ways to meet needs that can encompass the interests and skills of each individual. There is an opportunity to serve, and an opportunity to lead. We all benefit when each of us commits to giving, serving, and acting as private individuals for the common good.

Acknowledgments

This reference exists due to the talents and commitment of a team of professionals at the Johnson Center for Philanthropy at Grand Valley State University and at SAGE Publications, as well as a network of passionate authors and leaders who love the charitable sector and seek to enhance its role in making the world a better place. Special thanks go to Johnson Center student Alyssa Desgranges who led the organization of chapters and communications with all the contributors. As she takes the next step in her career, I know she will become a great international lawyer. Recognition must also be extended to all the Johnson Center staff. Thanks to each of you for supporting this work and for "going the extra mile" to benefit all students, on top of your already committed schedules. To the dean of the College of Community and Public Service, George Grant Jr., thank you for your leadership and support of the Johnson Center and for the time involved in completing this work.

The simple listing of the SAGE team and editors does not do justice to their vision for this project, their dedicated labor in bringing it to our sector and our students, and their e-mail friendship. Thank you. I have learned a lot about the effort and talent needed to provide us with such a comprehensive resource. Your careful reading, project nurturing, and expert editing of all our words will make a difference in the world. In addition to the members of the SAGE team listed in the masthead, thanks to Charles Wankel for sharing his experience, his resources, and providing very timely advice.

To each and every author, my sincere gratitude for taking the time to wrestle with your chapter(s) and to pour your energy into sharing your expertise with our next generation of philanthropic leaders. You are each actively involved in other endeavors yet still committed to sharing what you have learned with others. You model the qualities of giving from the sector you serve.

There are not enough thanks that can be given to the editorial board members of this reference. They are longstanding leaders, wise counselors, activists, and role models who have shaped and nurtured the nonprofit sector and individual scholars and practitioners worldwide. Dottie, Russ, Patrick, and Robert, thank you for who you are, what you've done, and all that you still contribute to supporting citizen action for the common good.

Finally, a personal thank you for the ongoing support of Hans Agard; Kelly, Michael, Piper, and Gavin Greeby; and Corey, Jennifer, and Avery Agard.

With deep gratitude for all that has been given us and for our common heritage of seeing need, reaching out, digging deep, and pitching in to help one another.

Kathryn A. Agard, Editor

Executive Director,
Dorothy A. Johnson Center for Philanthropy

Grand Valley State University

About the Editors

Editor

Kathryn A. Agard is the executive director of the Dorothy A. Johnson Center for Philanthropy, a department of the College of Community and Public Service at Grand Valley State University. The Johnson Center is a university-based academic center serving nonprofits, foundations, and other charitable organizations that seek to transform their communities for the common good. The center assists communities through applied research, professional development, and the advancement of social technologies.

Prior to joining the Johnson Center in May of 2006, Dr. Agard served for a decade as the founding executive director of *Learning to Give,* an initiative of the Council of Michigan Foundations. In this role, she provided leadership and had management responsibility for a new national venture to develop, test, refine, and infuse into the kindergarten through twelfth-grade school curriculum the teaching of philanthropy (www.learningtogive.org).

Prior to her work with *Learning to Give,* Dr. Agard led the development and implementation of the Michigan Community Foundations' Youth Project (MCFYP) for the Council of Michigan Foundations. MCFYP was a $70 million W. K. Kellogg Foundation–funded project designed to (1) extend the reach of community foundations to serve every community and donor in Michigan, (2) bring each foundation up to a minimum level of organizational viability, and (3) engage generations of Michigan youth in the process of grantmaking. Designed as a challenge grant program, MCFYP generated an additional $140 million from local donors in permanent assets endowed for Michigan communities.

Dr. Agard has over 40 years of nonprofit management and executive experience in health care, higher education, and foundation philanthropy. She has held nonprofit leadership roles in organizations in Michigan, including the cities of Muskegon, Grand Rapids, and Detroit, and in Philadelphia, Pennsylvania. She holds a doctorate in educational leadership from Western Michigan University with a double major in public administration and human resource development. Her dissertation identified the common characteristics of community foundations at differing ages and asset sizes. Her master's degree in public administration is from Western Michigan University, and her bachelor's is from Albion College, where she achieved a double major in political science and communication. Dr. Agard has written and published numerous books and monographs related to organizational development and the nonprofit sector.

Along with her career in the nonprofit sector, Kathy has served on a number of nonprofit boards of trustees, including past service as the vice chair of the board of a community hospital, where she also chaired the Investigational Review Committee and served on the Executive and Personnel committees. She has been a lay leader of her church and on a number of community-based nonprofit boards. Currently, she serves as a board member of *Learning to Give* and on the statewide board of the Michigan Nonprofit Association. She is a board member of the Nonprofit Academic Centers Council where she served on the first Curriculum Committee, which developed guidelines for instruction on philanthropy and nonprofit leadership in colleges and universities.

Dr. Agard and her husband of over 30 years, Hans Agard, live in Muskegon, Michigan. She has two grown and married children and three perfect grandchildren.

Associate Editor

Alyssa Mary Desgranges completed her undergraduate degree at Grand Valley State University in May 2010, with a major in legal studies and a double minor in Spanish and criminal justice. During college she worked part time for 3 years at the Johnson Center for Philanthropy as a student administrative assistant. At the center, she worked closely with Dr. Agard who gave her the opportunity to be the associate editor for this publication. Ms. Desgranges was very active in student life at Grand Valley and was a member of the GVSU Law Society and of Alpha Phi Sigma—the criminal justice honor society. When she is not at school or work, she enjoys spending time with her family and friends. She is from Ionia, Michigan, and currently resides in Houston, Texas, where she will be attending South Texas College of Law in the fall of 2010.

About the Contributors

Rikki Abzug (PhD, Yale University) is an associate professor of management, Anisfield School of Business, Ramapo College of New Jersey. A researcher of organizational governance, sector theory, social purpose organizations, and neo-institutionalism in organizations, Dr. Abzug is coauthor (with Jeffrey Simonoff) of *Nonprofit Trusteeship in Different Contexts*.

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Ann Armstrong has been an instructor at the Rotman School of Management for the past 10 years. She is the director of the Social Enterprise Initiative. In that role, she is responsible for increasing the school's involvement in the nonprofit/social enterprise sectors through curriculum design, research, and community engagement. Armstrong teaches in various executive programs internationally as well as in the MBiotech, Management, and Culture, Communication and Technology programs at the University of Toronto at Mississauga. She is the academic director of Rotman's Learning Exchange with Regent Park. She sits on several nonprofit boards and works on a research project supported by the Canadian Social Sciences and Humanities Research Council that looks at the social economy of Ontario. She has coauthored two textbooks: *Organization Theory and Design,* with R. Daft, and *Understanding Canada's Social Economy*, with J. Quarter and L. Mook, both published in 2009.

Philip L. Barclift is director of liberal studies and associate professor of theology and nonprofit leadership at Seattle University. His research has moved in two interconnected directions. A large part of his research has been done on the ground in the Middle East, where he studies the status of the Palestinians under Israeli occupation on the West Bank and Gaza. He also studies the dynamics of philanthropy (that is, why do some people act altruistically while others act selfishly, even to the point of using unwarranted violence toward others), philanthropic ethics, and the relationship between faith and philanthropy.

Audrey Barrett, PhD, LCSW, received her degree in leadership studies with a special emphasis on nonprofit organizational management from the University of San Diego in May 2008. She was nominated for and received the William P. Foster Outstanding Dissertation Award for her work in developing the Nonprofit Ethics Survey. Following graduation, Dr. Barrett has extended her work to make the survey available online to nonprofit organizations. She worked as a doctoral research assistant for the Institute for Nonprofit Education and Research while completing her degree and represents one of the first graduates nationally with a doctoral degree focusing on third-sector studies. She currently serves as an adjunct faculty member at various institutions of higher education and is a practicing licensed clinical social worker. Dr. Barrett and her husband, Kevin, have two young sons.

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Kimberly A. Carlson is a PhD candidate at the Center for Public Administration and Policy at Virginia Tech, with a concentration in nonprofit management, organizational development, and leadership development. She received her BS in psychology and BA in theater arts, with a minor in sociology, from Virginia Tech in 1997. She also received her MSW in clinical social work and a certificate in arts and community practice from Florida State University in 2000. Before returning to Virginia Tech, Kimberly worked as a director for community arts and arts education programs at various arts organizations in both Oklahoma City, Oklahoma, and Pensacola, Florida.

Heather Carpenter has served as a nonprofit manager, accidental techie, consultant, researcher, and trainer to nonprofit organizations for over 7 years. She is former assistant director of Aspiration, a technology nonprofit whose mission is to help nonprofits understand software so they can better achieve their missions. Heather earned her MM in nonprofit administration from North Park University in Chicago, Illinois, and is currently pursuing her PhD in leadership at the University of San Diego, where she serves as Viterbi Family Doctoral Fellow and research assistant at the Caster Family Center for Nonprofit Research. She teaches and presents on a variety of topics in the nonprofit sector and is a well-known blogger in the sector through her Nonprofit Leadership 601 blog.

Paul Cavanagh is a social worker with a master's degree from Stony Brook University and a doctoral degree from the Columbia University School of Social Work. His professional career has encompassed two primary areas of service delivery: in agencies serving individuals with a developmental disability and in the administration of large volunteer organizations. Cavanagh is currently an assistant professor at Seton Hall University in the Department of Public and Healthcare Administration. His current research interests focus on the use of technology in human services administration and entrepreneurial efforts by nonprofit organizations.

Frederik Claeyé is a doctoral researcher and lecturer at Middlesex University Business School, United Kingdom, and visiting lecturer at Nelson Mandela Metropolitan University, South Africa. He holds an MA in conflict and development from Ghent University (Belgium) and an MSc in research methods from Middlesex University Business School. In his doctoral research project, he examines the power dynamics shaping the emergence of hybrid management systems in nonprofit organizations in South Africa. In 2006–2007 he carried out independent research on local notions of development in Morogoro, Tanzania. In 2007–2008 he was key researcher for the project Cross-Cultural Management in Health Service Project Delivery: HIV/AIDS & TB in South Africa and Botswana, funded by the UK Department of Education and British Council. He has presented a number of conference papers in the area of cross-cultural management and power dynamics in international development.

Forrest Clift is the assistant director of community outreach in the College of Education (COE) at Grand Valley State University (GVSU). His current work focuses on creating programs, resources, and opportunities that link COE faculty, staff, and students with local underserved and/or underfunded school systems. His additional professional interests include place-based education and developing transitional programs utilizing service learning. He currently sits on the Governing Board of Groundswell, a regional hub committed to providing middle- and high-school students with opportunities to engage in environmental stewardship/education focused on the Grand River Watershed and the Great Lakes. He holds a BA in English (writing) and an MEd (elementary) from the University of Mary Washington in Fredericksburg, Virginia.

Michele T. Cole, JD, PhD, is director of the masters program in nonprofit management and associate professor of nonprofit management at Robert Morris University, Moon Township, Pennsylvania. She received her law degree in 1982 from Duquesne University and her doctorate in public administration with a concentration in nonprofit management in 1993 from the University of Pittsburgh. Her research interests include effective online instruction, nonprofit-sector curriculum development, legal issues in personnel management, and application of business best practices and research to the nonprofit sector, as well as the application of technology to learning strategies.

Robert S. Collier serves as president and CEO of the Council of Michigan Foundations (CMF), a statewide nonprofit association of more than 350 private and community foundations. With an MPA from Central Michigan University, his career in philanthropy includes service as a program officer with the C. S. Mott Foundation, grants director for the Gannett Foundation, executive director of Rotary Charities of Traverse City, and founding director of the Grand Traverse Regional Community Foundation. Since joining CMF in 1995, Collier has been involved in the creation of family foundations, corporate foundations, community foundations, and their donor-advised funds. He has also worked on development of community foundations and youth philanthropy programs nationally and globally.

Kathryn Collins is an advanced PhD candidate at the University of Pittsburgh in the Graduate School of Public and International Affairs. She worked with the University Center for Social and Urban Research to measure the impact of the nonprofit sector on the county (and on the city of Pittsburgh). She specializes in organizational research and the nonprofit sector.

Julie Couturier, CPA, is the accountant for the Dorothy A. Johnson Center for Philanthropy at Grand Valley State University. She is responsible for all financial reporting, budgeting, and financial analysis for the Johnson Center. Couturier is also a business and accounting adjunct instructor for Grand Rapids Community College. Before joining the Johnson Center in 2006, Julie was the finance supervisor from 2004 to 2006 at Spectrum Health Hospital. She was responsible for all financial reporting, budgeting, and financial analysis for ambulatory services. From 1997 to 2004, Julie was the accounting manager for Holland Community Hospital. Julie holds a BS in business administration from Central Michigan University and is a certified public accountant.

Mariam DeLand is a recent graduate of the MSW program at the University of Michigan. She is interested in finding ways to help nonprofit organizations become more efficient and effective through a better understanding of collaborations and mergers.

Lisa A. Dicke, PhD, is an associate professor in the Department of Public Administration at the University of North Texas. She is an active member of the American Society for Public Administration and the Association for Research on Nonprofit Organizations and Voluntary Action. Her teaching and research interests are in government and nonprofit management, accountability, and capacity building.

Barbara Dillbeck is curriculum director of Learning to Give (LTG), a program that empowers youth to discover and develop their "philanthropic muscles" through service learning. She is a certified teacher and has an MEd in curriculum and instruction with a service learning/philanthropic focus. She is responsible for the content and quality of educational resources on the LTG website (www.learningtogive.org). Dillbeck mentors teachers in writing lessons that teach children about giving time, talent, and treasure, and about taking action for the common good. She trains teachers in philanthropy education and service learning, presents at state and national conferences.

Shannon Dosemagen has an MS degree in anthropology and a master's certificate in nonprofit management from the University of Wisconsin, Milwaukee. Her research has dealt with political and social movement formation, youth subcultural social activism, and generating public memory and political identities in post-Katrina New Orleans. She has worked for a number of environmental and cultural nonprofit organizations in roles ranging from development, education, and research to community advocacy and organizing.

Matthew Downey is the director for Nonprofit Services and Development for the Dorothy A. Johnson Center for Philanthropy at Grand Valley State University. He holds a master's degree in public administration from Grand Valley State University and a bachelor's degree in nonprofit arts administration from Butler University. Downey has worked in the nonprofit sector for 18 years as a fund development officer, program manager, consultant, and board member for a wide variety of organizations, a few of which include the United Negro College Fund (Detroit, Michigan), St. Mary's Hospital for Children (Bayside, New York), Child Care Action Campaign (New York, New York), Queens Borough Public Library (Jamaica, New York), and Irving S. Gilmore International Keyboard Festival (Kalamazoo, Michigan). He is currently a member of Rotary International.

James Edwards is director of the Community Research Institute for the Dorothy A. Johnson Center at Grand Valley State University and an assistant professor in the School of Social Work at Grand Valley State. He earned his doctorate in social work from Michigan State University. Prior to moving into higher education, Edwards accumulated 13 years of human service and nonprofit experience in child welfare, juvenile justice, mental health, and substance use services. He has led numerous trainings on ethics and technology use in service delivery.

Gianfranco Farruggia is associate professor of nonprofit management at North Park University's School of Business and Nonprofit Management in Chicago, Illinois. He earned his PhD at The Union Institute in Cincinnati, Ohio, in social service administration. His areas of research in the nonprofit sector are strategic planning and management, board governance and executive management, capacity building, and issues of ethics and impropriety. He has over 30 years of managerial and executive experience in the areas of human care and employment and training services, has founded three nonprofit organizations, and has been instrumental in establishing more than a dozen nonprofit entities. In addition to his faculty appointment, he actively consults with various human service organizations.

Derrick Feldmann is the CEO of Achieve. He received his MA in philanthropic studies from the Center on Philanthropy at Indiana University. As CEO of Achieve, Derrick provides overall strategic direction for the work of the firm, clients, and partners. He is a regular contributor to nonprofit trade publications and a speaker on fundraising, donor engagement, and strategies for organizations. Prior to founding Achieve, Derrick was responsible for all major development programs at The LEAGUE and Learning to Give organizations. His responsibilities beyond fundraising included program expansion, external partnerships, and sponsorship programs, where he led efforts to expand the program offerings in four new markets, negotiated in-kind TV campaigns at a value of more than $10 million, and increased fundraising by 200%.

Robert L. Fischer is research associate professor at the Mandel School of Applied Social Sciences of Case Western Reserve University and program faculty at the Mandel Center for Nonprofit Organizations. He is also codirector of the Center on Urban Poverty and Community Development and leads the center's efforts in regard to evaluation research. He currently coordinates various evaluation projects including the ongoing studies of Invest in Children, a countywide early childhood initiative. Fischer is an active member of the American Evaluation Association (AEA) and is the current president of the Ohio Program Evaluators' Group, a statewide professional organization affiliated with the AEA. He is the 2006 recipient of the Teacher of the Year Award from the Mandel Center for Nonprofit Organizations and the 2003 recipient of the Emerging Scholar Award from the Association for Community Organization and Social Administration. Fischer received his PhD from Vanderbilt University in policy development and program evaluation.

Brian Flanagan has been associate director of the Hauenstein Center for Presidential Studies at Grand Valley State University since 2003 and program director of the Peter Cook Leadership Academy since 2009. He graduated with honors from the University of Notre Dame (2003) and earned his master's degree in public administration from Grand Valley State University (2009). Flanagan's research interests include the American presidency, leadership, and public affairs. He served on Michigan's Abraham Lincoln Bicentennial Committee and as a teaching and learning resources adviser to the National Endowment for the Humanities.

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PART I

The Nonprofit and Philanthropic Sector

1

LEGAL DEFINITIONS, LEGAL ACCOUNTABILITY, AND THE ROLES AND RESPONSIBILITIES OF BOARD LEADERSHIP

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According to the National Center for Charitable Statistics, which is the national clearinghouse for data on nonprofit organizations in the United States, there were more than 1.5 million nonprofit organizations registered with the Internal Revenue Service (IRS) in 2008. In the decade between 1998 and 2008, the number of nonprofits increased by 32.7% reflecting the continuing expansion of the nonprofit and philanthropic sector. Worldwide, there are many more nongovernmental or voluntary sector organizations providing essential services to people and governments. Nonprofits as well as nongovernmental organizations are legally constituted entities that operate independently from the government. Under U.S. law, nongovernmental organizations are classified as nonprofit organizations. Their missions vary widely. The American Bar Association, a membership organization setting standards for the legal profession, is a nonprofit organization, as is the John R. and Zelda Z. Grubb Charitable Foundation, a private operating foundation in Iowa. Nonprofit organizations come in all shapes and sizes, from the Red Cross and the Salvation Army to local homeless shelters and food banks.

These varied organizations make up the nonprofit sector, also referred to as the philanthropic sector, the independent sector, or the third sector. Most but not all nonprofits are tax exempt. An organization may be operating not-for-profit without applying for tax-exempt status. Tax-exempt status is recognized on the federal level by the IRS based on the organization's compliance with the requirements set forth in the statute. More than 50 categories of tax-exempt organizations are listed under section 501 of the Internal Revenue Code. These include title-holding companies, cemeteries, labor unions, social clubs, social welfare organizations, churches, educational institutions, and charities, among others. Those tax-exempt organizations that are charitable organizations are enumerated in section 501(c)(3). Foundations are 501(c)(3) organizations.

To understand where nonprofit organizations fit in the world of organizations, it may be helpful to envision a series of concentric circles, the largest of which is all organizations in U.S. society. Nonprofits are a subset of all organizations. Tax-exempt organizations are a subset of nonprofit organizations. Charitable organizations are a subset of tax-exempt organizations. Foundations are a subset of charitable organizations.

Nonprofit organizations are organized, governed, and taxed differently than government agencies and for-profit corporations based on distinctions made in the law with regard to purpose and function. Nonprofit organizations are private-sector entities organized to deliver public goods. Although they may provide the same types of services, nonprofit sector organizations are distinguishable from public-sector entities (i.e., governmental) in that they cannot tax or legislate. Nonprofit organizations differ from for-profit entities in the private sector in that the nonprofit organization's "bottom line" is mission fulfillment, as opposed to profit making. Charitable nonprofits do not have stockholders as do for-profits, and they are bound by the nondistribution constraint. That is, for-profits generally distribute their profits to their owners, the stockholders. Nonprofit corporations must reinvest their excess revenue or profit in services and programs. The reasoning here is that if the organization is to serve the public, it should not be able to benefit private individuals. This argument resurfaces in the context of excess compensation (private inurement). Bruce Hopkins (2003), an early and oft-quoted expert in nonprofit law, considers the doctrine of private inurement to be the substantive defining characteristic distinguishing nonprofit from for-profit corporations.

Nonprofit organizations that meet the legal requirements for tax exemption as *charities* are exempt from federal tax on organizational income. The rationale for tax exemption is that charitable organizations perform a public service that the government would otherwise be obligated to provide, such as education, health care, or emergency services. Tax exemption on the federal level often leads to exemption from state (and sometimes local) taxes, such as income, sales, use, personal property, and real estate taxes. Churches do not need to apply for tax exemption to be exempt. In addition, the federal government provides special tax treatment to taxpayers for donations to charitable nonprofits.

Most nonprofit organizations that apply for tax-exempt status choose to incorporate to protect themselves and their governing boards from liability. It is important to remember that incorporation is a state-regulated process. Tax exemption is a federally regulated process. They are not the same. Incorporated nonprofits generally fall into two broad categories, membership and nonmembership corporations. The American Bar Association is a membership organization. Civil legal services programs for the poor are not membership organizations. Most incorporated nonprofits are nonmembership corporations.

Nonprofit organizations are both alike and different from for-profit corporations and public agencies. Legally however, nonprofit organizations are private-sector entities and are treated as such in the law, with the exception of religious nonprofits. The Establishment and Free Exercise clauses of the First Amendment give religious organizations more latitude in how they operate, to whom they are accountable, and how they govern themselves than they give to other nonprofits.

In this chapter, we will focus on legal definitions of particular relevance to the nonprofit leader, legal accountability as it is developing in the nonprofit sector, and the roles and responsibilities of board members of nonprofit organizations.

Legal Definitions

A legal definition is one that explains or sets forth a concept, a word, or a reference that derives its meaning from a law. The law could be part of a statute as defined by a legislative body; it may be defined in a case by a court; or it may be set forth in a regulation by an administrative body. Legal definitions might also be found in Executive Orders issued from the Executive Branch. Legal definitions that are most relevant, if not unique, to nonprofit organizations can be grouped by the core differences between the nonprofit, the for-profit, and the public sectors. Purpose and function help to define the differences between the three sectors. The purpose of a nonprofit is to fulfill its mission; the purpose of a business is to return profit to its shareholders; the purpose of a government agency is to serve the public. Organizations in each of the three sectors function according to laws and regulations, some of which are specific to the sector. Helping to distinguish the nonprofit sector from the for-profit and public sectors are the laws governing tax exemption, charitable donations, religious expression, distribution of profits, governance, and, to some degree, accountability.

Tax Exemption

Under federal tax law, *institutions* such as churches, universities, colleges, schools, and hospitals are exempt from taxation without having to demonstrate a charitable purpose. It is clear that education and health care are public goods. Churches are vehicles for religious expression. Other nonprofit entities must seek a determination from the IRS that the organization's purpose deserves an exemption from federal income tax. Nonprofit organizations whose purpose is determined to be charitable under section 501(c)(3) are both tax exempt and eligible to solicit donations that are tax deductible for the donor when filing his or her federal income tax return. Although a nonprofit organization's income may be exempt from taxation, the income still must be reported. IRS Form 990 is the required report. Originally a financial report on the operations of the tax-exempt entity, the report now serves as a profile of the operations, management, and governance of the nonprofit organization.

Tax exemption provides considerable advantages to a nonprofit organization. It allows the tax-exempt nonprofit to use funds that would have been paid to the government to further its public mission. Loss of the organization's tax exemption can mean the end of the organization. Organizations can lose their tax-exempt status or find themselves subject to *intermediate sanctions* in the form of significant tax penalties if they run afoul of the restrictions on private inurement, conduct substantial lobbying, engage in prohibited political activity, or fail to report unrelated business income, among other activities. Owners of for-profit entities hope to gain, that is, receive a portion of the business's profit. Nonprofit, tax-exempt organizations and, most particularly, charitable organizations cannot operate for the gain of a private person. This is the doctrine of *private inurement.* Violating it can cause the organization to lose its tax-exempt status.

Nonprofit organizations are allowed to *lobby*, that is, attempt to influence a legislative process or executive branch or regulatory agencies' decisions within certain parameters. Unfortunately, the guidelines for an acceptable amount of lobbying are very unclear. Nonprofit organizations that expect to do any substantial lobbying on behalf of their missions are advised to seek legal counsel first. Nonprofit organizations may advocate and, in many cases, are encouraged to do so to further their missions. *Advocacy* is a broader concept than lobbying, which is allowable in the form of education, litigation, and certain program activity. Advocacy also includes political activity. Tax-exempt organizations are prohibited from *partisan political activity*. Some churches have come under fire for advocating from the pulpit on behalf of certain candidates for office.

A number of nonprofit organizations operate business ventures. The income from business ventures related to the mission of the organization, such as museum shops, is not taxable. However, income from an unrelated business venture, such as health clubs attached to YMCAs, is taxable as unrelated business income tax (UBIT). Successful business ventures by nonprofit organizations may also result in challenges to the organization's local property tax exemption. Some nonprofits with or without business ventures have agreed to make payments in lieu of taxes to municipalities in recognition of the services provided to them, such as fire, water, and waste removal.

Charitable Donations

Contributions to nonprofit organizations may be tax deductible under federal law when certain conditions are met. If the nonprofit organization has been determined to be *charitable*, meaning that it has met at least one of the required charitable objectives in the Internal Revenue Code, individuals, foundations, or corporations making donations of tangible or intangible property may deduct those contributions from the taxes they owe.

Under state law, charitable organizations that receive more than a specified amount in contributions must register with the state. Donations may be restricted by the donor for particular purposes, in which case, the nonprofit must account for the gift as a restricted one and must also use the gift as stipulated by the donor. In-kind contributions must be valued by the donor based on market value and recorded in that way by the nonprofit organization. Gifts may be tangible or intangible. In either case, it is the responsibility of the organization to perform due diligence before accepting the donation. Donations that do not further the organization's mission but which are given to allow the donor to take a tax deduction should be declined.

Religious Expression

Religious nonprofit organizations do not need to apply for tax exemption, nor do they need to incorporate to enjoy the same tax privileges as other nonprofit organizations, although many do seek formal recognition under state and federal statutes. However, religious organizations are subject to IRS regulations governing tax exemption and may lose that tax exemption if they operate outside of those regulations. Religious organizations also must pay taxes on income from unrelated business activities.

Religious organizations are protected under the *Establishment and Free Exercise* clauses of the First Amendment, which prohibit the government from creating a church, favoring a particular religion, or interfering in people's religious practices or forms of worship.

Distribution of Profits

Unlike the private-for-profit sector, nonprofit organizations may not distribute the profit from their operations to a private person. Under the *nondistribution constraint,* profits must be returned to the nonprofit entity for its programs and services. Under the doctrine of *private inurement***,** the nonprofit may not transfer profits through the organization to its owners. This doctrine, particularly in the section 501(c)(3) context, may cause a tax-exempt organization to lose or to be denied tax-exempt status. This is because the IRS has determined that the organization is being operated for the private gain of a person.

Governance

Governance is the umbrella term for the ultimate accountability, authority, and responsibility for an organization. Nonprofit organizations are governed by a *board of directors* or, in the case of a trust or other charitable entity, by a *board of trustees.* The number and constitution of directors is determined by the incorporating state's law. However, additional directors, board committees, notice requirements for meetings, and the organizational requirements are set in the *bylaws.* With the passage of Sarbanes-Oxley in 2002, governance issues have taken the forefront in the discussion of the role and responsibility of nonprofit organizations in American society. Directors and trustees of nonprofit organizations are fiduciaries of the nonprofit, that is, they are bound to look after the affairs of the organization using the same standards of care and prudence as they would with regard to their own affairs. This is the business judgment rule.

Accountability

Because of their tax-exempt status and their ability to solicit tax-deductible funding from the taxpayer, all nonprofits need to be ready and able to explain themselves to the public. In Jeavons's (2005) view, accountability is part of the social contract that tax-exempt organizations have with society. Nonprofit organizations that serve critical public functions and that enjoy public subsidies (tax exemption and deductions) create fiduciary obligations to the stakeholders (Rhode & Packel, 2009). Nonprofit organizations have always been accountable to their stakeholders, those who have an interest or a stake in the mission of the organization. However, in many cases, it would be difficult for a member of the public to determine how accountable the nonprofit truly is.

The 2008 changes to the 990 form (the income reporting form that nonprofit organizations file annually with the IRS) have made the organization's transactions more transparent. The public is entitled to request a nonprofit's 990. The additional scrutiny has resulted from the public's reaction to the Public Company Accounting Reform and Investor Protection Act of 2002 (Sarbanes-Oxley, P.L. 107–204), enacted to correct inadequacies in the law that allowed numerous incidents of corporate fraud. The act regulates publicly traded entities. Two provisions of Title XI, corporate fraud and accountability, apply to nonprofit organizations.

Legal Accountability

Nonprofit organizations have multiple and diverse stakeholders. Unlike stockholders of a for-profit company, stakeholders of a nonprofit organization have no financial ownership of the organization. However, that does not mean that the organization is not accountable to those stakeholders. This creates a certain ambiguity, which makes understanding accountability in the nonprofit sector more difficult than understanding what accountability means in the public sector or the private-for-profit sector. Leaders in the public sector are accountable, responsible to the taxpayer. Leaders in the business sector are accountable, responsible to their stockholders. To whom are leaders in the nonprofit sector accountable or responsible? The stakeholders in a nonprofit organization include funders, donors, clients, staff, board members, and the public. How do you measure accountability in a nonprofit organization when the expectations of the different stakeholders vary based on their relationship to the organization? For-profit entities are accountable to their stockholders for a profit. Government entities are accountable to the taxpayer for services. The nonprofit is accountable to donors for funds well spent; to funders for performance stipulated in their grants and contracts; to the public for doing good; to clients for quality services; and to staff for a safe work environment and fair wages. Full disclosure to board members is required. Furthermore, all nonprofit organizations have an ethical obligation to be accountable to their donors, to their supporters, and to their members (Jeavons, 2005).

Accountability can be defined as an obligation or willingness to accept responsibility or to account for one's actions. How does a nonprofit leader take a broad definition such as that and implement measures to ensure accountability? Several people have written about accountability and how to evaluate or measure it in nonprofit organizations. Kevin Kearns is well regarded for his work in designing a framework for looking at accountability in the nonprofit sector. In a 1994 article, he suggested that accountability needed to be viewed from two dimensions: performance standards codified in law (statutory, regulatory, or contractual) and performance standards specific to the organization. The first is legal accountability; the second is more amorphous because it is defined by internal organizational choices and issues. In this chapter, the focus is on the first, legal accountability.

Legal accountability is a broad term for responsibility of a person or persons set forth in either statutory or case law. In the nonprofit sector, leaders are responsible to their stakeholders for their actions and those of their organizations. The stakeholders of a nonprofit organization include its clients, customers, patients, or consumers; its funders; its staff and volunteers; its regulators; its partners; its vendors; and members of the public. In addition, nonprofits have a unique obligation to the public to be accountable for what they do to justify their tax exemption. The seminal case on legal accountability is *Stern v. Lucy Webb Hayes National Training School*, 381 F. Supp. 1003 (D. D.C. 1974), also referred to as the Sibley case. What is significant about the case is not the decision itself (defendants/hospital trustees were found not guilty of the alleged self-interested decision making), but the court's definition of the duties a trustee must adhere to in order to avoid liability. These are the duty of care, the duty of loyalty, and the duty of obedience.

Nonprofits are exempt from federal taxes because they provide services benefiting the public that otherwise the government would need to provide. Exemption from state and local taxes follows from the rationale for federal tax exemption. Challenges to tax exemption are generally limited to charitable organizations engaged in commercial activities. As municipal governments face rising costs and shrinking revenues, however, more attention may be paid to the number of 501(c)(3) organizations that own property but do not pay property taxes. In recent years, several of the larger nonprofits, such as universities and hospitals, have voluntarily made payments in lieu of taxes for their usage of municipal services.

There is concern about accountability in all sectors, and it is not limited to entities in the United States. Nonprofit practitioners, private and government funding sources, individual donors, clients, and the general public have been involved in conversations about accountability in the nonprofit sector sparked in part by the passage of the Sarbanes-Oxley Act of 2002 in the wake of the Enron, Tyco International, and WorldCom fiascos.

Sarbanes-Oxley set new and stronger accounting and reporting standards for corporate (publicly traded) boards, management, and the public accounting firms that work for them. Although only two sections of the act apply to nonprofits (relating to whistle-blower protection and document destruction), Sarbanes-Oxley is now on the radar of most leaders in the nonprofit sector and is under discussion in many nonprofit forums.

Asked by the Senate Committee on Finance to develop recommendations for nonprofit organizations, the Independent Sector formed the Panel on the Nonprofit Sector in October 2004. The panel prepared a series of recommendations for Congress to improve the oversight and governance of charitable organizations and to ensure high standards of ethics and accountability for individual nonprofit organizations. The panel issued a report to Congress and the nonprofit sector, *Strengthening Transparency, Governance, and Accountability of Charitable Organizations*, in June 2005 and followed up with a supplemental report by the same name in April 2006. In October 2007, the panel released *Principles for Good Governance and Ethical Practice: A Guide for Charities and Foundations*. Both are available on the Independent Sector website (http://www.independentsector.org/).

In 2005, the American Bar Association published a *Guide to Nonprofit Corporate Governance in the Wake of Sarbanes Oxley,* which outlined the general principles and intent of the major reforms set forth in the act and discussed their applicability to governance in nonprofit organizations. The guide lists 10 general principles from Sarbanes-Oxley for consideration in the governance of nonprofit organizations. The first five relate directly to the responsibility and role of the board:

1. The governing board should ensure that its oversight will ensure effective and ethical management.
2. The board should ensure that independent judgment is exercised at the committee and full board level.
3. There should be an audit committee to ensure an independent external audit, to ensure that internal controls are in place, to review the organization's accounting policies, and to monitor the financial reports.
4. Board committees should be established and used to focus on core governance and board composition.
5. There should be a compensation committee to determine and review the performance and compensation of the executive director.

The guide reinforces the two sections of the statute that apply to nonprofits: policies to allow for disclosure of wrongdoing and protection for whistle-blowers and policies on document retention and destruction.

In addition to the other accountability measures, the American Bar Association recommends fair and full disclosure of the organization's financial position and operations; the implementation of an ethics and business conduct code; and finally, fair, performance-tied compensation.

Some argue that reforms imposed on the nonprofit sector as a result of the scandals in the nonprofit world, such as the reported embezzlement of funds at Acorn and Points of Light, and the impact of Sarbanes-Oxley will result in increasing donor confidence at a minimal cost to the organization (Mead, 2008). The three reforms of most importance are requiring nonprofit officers, not just the auditors, to certify financial statements; requiring audits of all nonprofit organizations' financial statements, not just those of larger nonprofit organizations; and putting independent audit committees on nonprofit boards.

Legal accountability and board governance are inseparable concepts. While each is distinct, neither concept exists without the other. That having been said, a leader is accountable when that leader acknowledges responsibility for the nonprofit organization's actions, policies, decisions, and their consequences. Governing board members of a nonprofit organization assume a responsibility that encompasses oversight of management and policy making. Ultimately, the responsibility for accountability rests with the nonprofit organization's board of directors, acting as one.

Roles and Responsibilities of Boards of Directors

The roles and responsibilities of nonprofit boards of directors traditionally have been within the purview of the state in which the nonprofit has been incorporated and are set forth in the state's incorporation statutes. These state-defined roles and responsibilities are reflected in the corporation's bylaws. Additional requirements for boards of nonprofit organizations are found in federal income tax law. Each state's attorney general has the responsibility for monitoring nonprofit corporations operating within the state. The IRS has that responsibility on the national level. While some courts have held that the director of a nonprofit corporation should be held to a higher standard of care based on the rationale that directors function as trustees, most have looked to the business judgment rule as the standard in both the for-profit and nonprofit cases.

Broadly speaking, the standard to which board members of nonprofit organizations are held is one that requires the person to act in good faith in the performance of board duties, with the care that would be exercised by a prudent person in a similar situation, in a way that the person reasonably believes to be in the best interest of the nonprofit.

Board members of nonprofit organizations are fiduciaries of the organization who owe a duty of care, a duty of loyalty, and a duty of obedience to the organization they serve. The duty of care means that the board member must be reasonably informed about the activities of the organization and participate in decisions affecting the organization. This means attending board meetings and reading board meeting minutes, committee reports, and financial statements. The duty of care also requires that the board member be informed before voting, use independent judgment, and be aware of compliance issues. The duty of loyalty requires the board member to put the organization's interests above his or her own professional and personal interests. This means disclosing potential as well as actual conflicts of interest, not using corporate opportunities for the member's individual gain, and not disclosing the organization's confidential information. The duty of obedience requires compliance with applicable federal, state, and local statutes relating to the organization, adherence to the organization's bylaws and articles of incorporation, and commitment to the organization's mission. Board members who fulfill these duties are protected from liability, should the nonprofit be sued (Hopkins, 2005a).

Boards of directors are responsible for defining and overseeing the implementation of the organization's mission, for hiring and firing the executive director, and for sustaining the organization. Board members are responsible for policy setting and oversight. Another way to look at board responsibilities is to consider seven elements in managing an organization: personnel, in this case, the executive director; finance, budget approval and review of expenditures; fundraising, approval of the organization's development activities, and participation in fundraising events and campaigns; planning, participating in the development of the organization's plan, and overseeing its execution; board development, ensuring the vitality of the board itself by reviewing its composition and recruiting new members; public relations, advocating for the organization; and advising, lending expertise and experience as appropriate to the organization. Others have characterized the roles and responsibilities of a board member as: setting the direction of the organization (mission, planning, and policy setting), steering it toward mission fulfillment ethically (protecting assets and ensuring adequate resources), and leading (ensuring accountability and legality, oversight of performance, treatment of personnel and financial dealings) (Anheir, 2005).

The board of a nonprofit corporation executes its responsibilities typically through committees. The executive committee is composed of the officers of the board, president or chair, treasurer, and secretary. In some cases, committee chairs form part of the executive committee. Generally, the executive director or CEO of the nonprofit attends all executive committee meetings, whether or not the executive director or CEO is a voting member of the board. The most common standing committees are the executive, nominating, finance, and development committees. The executive committee sets the board agenda and acts as a gatekeeper. The executive committee may be empowered to act on behalf of the board in certain circumstances as set forth in the bylaws. The nominating committee vets board candidates, evaluates board member performance, and prepares the slate of officers for the corporation. Its role is to maintain and further board membership. The finance committee is responsible for clearly and accurately reporting the organization's financial position to the board. It is important to have directors who are knowledgeable about nonprofit financial practices and the applicable law governing nonprofit accounting on this committee. The development committee raises funds, expands the NPO's network of supporters, and assists in capacity building within the organization. The audit committee is an ad hoc committee made up of directors who are not on the finance committee; it includes the treasurer. Its purpose is to select an auditor, to review the auditor's findings, and to make a recommendation to the board whether to accept the audited financial statements.

Which committees should be established depend in part on the stage of development in which the nonprofit organization finds itself. Organizations may be thought of as living organisms evolving from the founder's organization (board members perform the day-to-day operations) to a mature organization in which the board is a policy-making group with limited involvement in day-to day operations. In between the two are different degrees of organizational sophistication and structure. As the organization grows, the need for management and administrative staff often grows, and it may also find it needs infrastructure supports for technology. As the organization changes, its board of directors' roles change as well. For example, program committees that were charged with developing service components are replaced with public relations committees whose task it is to refine and deliver the organization's message. Capital campaigns generally require campaign committees and community advisory boards that reach beyond the scope of the board's development committee. Building purchases result in property committees, endowments in endowment committees. With these committees come additional policies and procedures that guide board decisions.

How well a board functions depends on more than its operating structure; it also depends on the relationship of the executive director or CEO to the board, particularly, to the board chair. Peter Drucker (1990), among others, held that effective leadership in organizations requires a strong working partnership between the board and the executive. The board chair or president manages the board. He or she is responsible for making the board function as a whole in support of the organization's mission.

As part of its fiduciary duty, the board is responsible for hiring, evaluating, and when necessary replacing the CEO of the organization. There is some question about whether the CEO, or as is more common in human services agencies, the executive director, should be a voting member of the board. In most nonprofit organizations, board members are not compensated for their time. By law, directors can have no financial interest in the organization. Taking money out of the equation helps to ensure putting mission at the forefront of decision making. While a CEO or executive director would not be paid for board activity, it would be difficult to imagine that the staff leader could put aside self-interest in board decision making.

Management (what the CEO and the senior staff do) and governance (what the board does) are different responsibilities in the nonprofit organization. Keeping these functions separate is important both to the operation and to the accountability of the nonprofit organization.

The Carver Model

In his model of board governance, John Carver (1990) created an integrated board leadership paradigm that is intended to enable the board to focus on the large issues, to delegate clearly and appropriately, to control the management function without unwarranted intrusion, to evaluate the organization's performance, and, in essence, to lead the organization. The belief is that employing the Carver model, The Policy Governance® Model, will lead to greater accountability. The 10 principles on which the Policy Governance Model is built (Carver & Carver, 1996a) can be summarized as: trust in the board by the stakeholders of the organization; unity of the board behind decisions; policy making as the board's focus; policy based on broad, shared values; definition and delegation; a focus on the desired ends; boundary setting as the way to hold staff accountable; board job design; a balanced relationship between board and CEO; CEO evaluation based on policy criteria. Carver is credited with advocating for a small board, generally seven members, to facilitate the policy-making process. Nonprofit organizations that rely on stakeholder-representative boards may find that number too small to accommodate their charters. Others argue that boards need to be small enough to enable discussion and timely decision making and at the same time large enough to perform the various functions of a board.

The New Work of the Nonprofit Board

Another model of nonprofit governance that has been cited frequently was described in a 1996 article in *Harvard Business Review* (Taylor, Chait, & Holland, 1996). This model has four basic characteristics. It focuses board energies on "do or die" issues. It is results driven and tied to a timetable. Everyone understands the measures of success, which engage those inside and outside the organization in fulfilling the mission. In this model, the board members are engaged and energized rather than consumed with minutiae. To implement the model, board and staff work together to identify the issues that are important to the organization and set the agenda for action. This is the new work of the board.

Making the Most of Board Meetings

One of the greatest aids to ensuring that the board focuses on large issues and is able to make policy decisions in a thoughtful manner is a controlled board meeting. Tropman (1996) suggests seven imperatives to make board meetings work: the orchestra principle (preparing, setting the pace, and allowing interaction); the three-characters principle (announce things, discuss things, decide things); the role principle (change how the board members interact by changing the meeting master's role); accepting no new business; having no more reports; following the imperative of productivity; and making high-quality decisions. To make these imperatives or others chosen by the organization work, many nonprofits rely on *Robert's Rules of Order,* which identifies process and procedures for most board actions.

In recent years, the consent agenda has gained popularity with nonprofit boards. The consent agenda allows the board members to vote to accept a number of routine board items, which have been sent out with the minutes prior to the actual board meeting with one group vote. If a board member wants to discuss any of the items on the consent agenda, it is removed and placed on the agenda as a separate item. A consent agenda is not intended to mask the organization's activities or to force a decision on an issue that needs to be discussed. Its purpose is to facilitate board meetings by minimizing time spent on routine issues.

Minimizing Risk

Absent criminal wrongdoing and egregious disregard for the duties and responsibilities of a trustee, board members are protected by the nonprofit corporations' directors and officers' liability insurance, professional liability (malpractice) insurance where the director performs services for the nonprofit, indemnification language in the organization's bylaws, and, in some states, state statute. Most homeowners' policies permit riders to provide addition coverage for a policyholder serving in the capacity of a trustee. The organization itself should have adequate coverage for its operations, such as general liability, errors and omission, automobile, and malpractice insurance. If it does not, the injured party may seek damages from a director or directors.

To further reduce risk, a prospective board member should know if the organization is incorporated and what its federal tax status is. He or she should read the bylaws and understand how the day-to-day program activities comport with the mission and governing documents of the organization. He or she should know what the composition of the board is and what time and talent requirements are made of board members. He or she should know if there is a conflict of interest policy and if it is implemented. Most important, the prospective board member should determine if the nonprofit organization is in compliance with all applicable laws and whether the organization is financially sound.

The kinds of corporate misdeeds that led to Sarbanes-Oxley have been echoed in the nonprofit sector; instances include the questionable direction of disaster donations by the Red Cross, excess compensation issues in United Way chapters, and the collapse of Allegheny Health Education and Research Foundation (AHERF). Each of these is an example of a failure of board oversight and a failure to comprehend the nature of accountability necessary in a nonprofit organization. Volunteer board members face an ever increasing burden of issues, shifting demographic patterns that impact service delivery, personnel issues that surface with changes in technology, and conflicts of interest made more critical with the tightening constraints on resources, to name three.

Litigation affecting nonprofits thus far has been relatively limited, in part due to the nature of the services provided, to the limited liability afforded by statute, and to the lack of "deep pockets." However, cases are being brought against organizations and, in some instances, against board members as individuals. Although the scandals involving excess compensation (private inurement) of top executives and misuse of corporate funds receive generous press coverage, most of the litigation to date has been in the area of employee suits for sexual harassment, wrongful discharge, and contract and pension violations. Some nonprofits are declaring bankruptcy (for example, Los Angeles–based Glass Youth and Family Services); others are simply going out of business, such as Mondavi's Copia (Strom, 2009). Each time a scandal breaks, public confidence in the sector decreases. Each time a nonprofit is forced to dissolve, a community is diminished.

Future Directions

Nonprofits are facing particularly difficult times in a recession: Donors are less able to contribute; government funding streams are lessening; clients, customers, and patients are less able to pay for services; and endowment values are shrinking. Scandals in the sector have left donors mistrustful of the very organizations that need their support the most. Each of these affects the nonprofit's ability to carry out its mission, deliver services, and maintain programs. For the indefinite future, new strategies will be needed, innovative approaches to management found, and effective leadership demonstrated. More than ever, it matters how nonprofits choose their boards of directors. Issues of accountability will only grow in importance as increased scrutiny and oversight are directed to the nonprofit sector.

Governance has been defined as an umbrella term for the ultimate authority, accountability, and responsibility for the nonprofit. Governance, Ott (2001b) says, is the result of the organization's purpose, its people and resources, its clients and community networks, and its contracts.

Hopkins (2005a) points to an emerging trend with the incorporation of nonprofit governance principles in federal tax law, as evidenced in the changes to the IRS Form 990. He suggests that emerging corporate governance principles will require that boards of directors truly become the managers of their charitable organizations. Boards of directors will need to be more involved and knowledgeable about the nonprofit's finances and programs, to be aware of conflicts of interest, and to put the nonprofit's objectives above personal interest; in essence, the board must be prepared to govern.

Resisting the argument to make statutory what is now advisory, Brody (2007) suggests that required board training, the adoption of best practices, policies and procedures that facilitate removal of fiduciaries when necessary, and the dissolution of nonfunctioning charities and the transfer of their assets to functioning charities would be the better direction to take in response to the calls for reform than the imposition of sector-wide restrictions.

If membership on a nonprofit board was ever primarily a resume builder, it is far more now. Finally, it is leadership, on the board and from the executive, that makes governance effective and the organization accountable.

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2

Types of Foundations and Their Leadership Characteristics

Robert S. Collier

Council of Michigan Foundations

The purpose of this chapter is to introduce private charitable foundations and public charitable foundations and discuss their leadership characteristics. Although foundations have been around for more than a century, the decade of the 1990s caused an explosion in the growth of private and public foundations. The Internal Revenue Service (IRS) reports that there are now more than 85,000 of these organized philanthropic organizations in the United States, an increase from about 37,000 in 1990.

However, it is important to note that, according to Giving USA, the total contributions of all of these foundations is less than 15% of the total charitable giving in the United States. Individual giving is still the primary engine that drives the religious and nonprofit sectors.

Four primary sources are used for this introduction to foundations:

1. The IRS, www.irs.gov/charities/charitable
2. Foundation Center in New York, www.founationcenter.org
3. The Council on Foundations in Washington, www.cof.org
4. The Council of Michigan Foundations, www.michigan foundations.org

The Private Foundation

The word *foundation* is not trademarked; when we think of private foundations, we are considering a nonprofit corporation or charitable trust that has been organized under state and federal law to serve charitable purposes and created by one donor. The donor is usually an individual, a family, or a corporation. While many foundations at one time were formed as charitable trusts with the approval of a court, the common structure for foundations today is the nonprofit corporation.

States can allow for creation of a nonprofit corporation, but the IRS provides the tax-exempt status. To receive a tax-exempt 501(c)(3) nonprofit status from the IRS, the foundation must file a Form 1023 application and declare that the principal purpose is making grants to unrelated organizations, institutions, or individuals for scientific, educational, cultural, religious, or other charitable purposes.

Many private foundations include this language in their articles of incorporation and their bylaws—two of the fundamental required organizing documents for nonprofit organizations. But while this general language is used, it is complemented often by the donor's priorities. These priorities may include: geographic focus, such as the community in which the donors made their wealth; an issue, such as a specific illness; a target population, such as youth or seniors; and named public charities that have a 501(c)(3) status, such as the local YMCA or Boys and Girls Clubs.

However, there are a number of restrictions on private foundations in the federal tax code that may impact a donor's decision to choose this philanthropic structure. The first restriction is on self-dealing between the private foundation and the donor and other family members—referred to as disqualified persons in the tax code. The issue of self-dealing has been a major concern to Congress and the IRS as a result of several highly publicized cases of bad performance by foundations in the 1990s. As a result, the IRS has added new criteria for the submission of

Form 1023—inclusion of a board-approved conflict of interest statement. An example of self-dealing is when the donor rents office space to the foundation at a below market rate. Even though it is a reduced rental rate, the IRS would still consider this to be self-dealing because the donor is receiving income from the foundation.

The second restriction on private foundations is the required minimum 5% payout. This means that a private foundation must make a charitable distribution each year equivalent to 5% of its assets. This payout was introduced by Congress as a result of hearings in the 1960s looking at private foundations that were not making any charitable distributions while the donor had still received substantial tax benefits from the government. Nonprofit organizations, such as the National Committee for Responsive Philanthropy, have tried over the years to encourage and mandate a higher payout. Research commissioned by the Council of Michigan Foundations and conducted by Cambridge Research Associates in 2000 and again in 2004 has confirmed that the 5% payout requirement is the best rate that will not impact the foundation's ability to maintain the value of its endowment in perpetuity.

A third restriction on private foundations is the excise tax. Private foundations are the only charity that is taxed by the federal government. The 1984 Tax Act allows the excise tax on investment income to be reduced from 2% to 1% if a foundation's payout for the year in question equals or exceeds an amount equal to the year's assets times the average payout percentage for the 5 years, plus 1% of the foundation's net investment income.

The private foundation community agreed to this tax at the time as a way to support regulation and review of the growing nonprofit sector by the IRS. It is estimated to produce about $500 million annually for the federal government, however, the proceeds have not been targeted for the intended purpose of regulatory oversight. Originally designed to provide an incentive for more foundation giving, the tax has resulted in just the opposite over the years. Small private foundations often just pay the higher tax of 2% without trying to calculate the formula. Others hire their accountants to calculate the tax, and others reduce their grants so they will not have to pay the higher tax.

In 2010, there was bipartisan support for legislation in both the House and Senate to simplify this tax to a flat revenue-neutral number, a proposal that is still under discussion. Research conducted by Cambridge Associates for the Council of Michigan Foundations has determined that a flat tax of 1.32% would result in no loss of revenue to the federal treasury but would also make the tax much easier for private foundations to manage.

Before leaving this brief summary of the special restrictions that the federal tax code contains on private foundations, it is important to note that federal law also limits the holdings that private foundations can have in private businesses and contains provisions that investments must not jeopardize the ability of the foundation to carry out its charitable tax-exempt purpose. Private foundations complete an annual report to the IRS—the Form 990-PF—that provides the data required by the government to ensure that the foundation is in compliance with the charitable tax-exempt provisions of the federal tax code. The Form 990 that all public charities complete was recently updated by the IRS to require more information about the operations of public charities. Similar changes are expected to be made to the Form 990-PF.

Family Foundations

Family foundations make up about 50% of all private foundations in the United States. While *family foundation* is not a legal term, the Council on Foundations, the national trade association for organized philanthropy, defines a family foundation as one that has been created by a single family as donor. At least one family member must serve on the board of trustees or as an officer of the corporation during the lifetime of the foundation. Most family foundations are run by family members—the donor and spouse or children of the donor—who serve as volunteer trustees without compensation.

The Council on Foundations, through a peer process, has developed Stewardship Principles for Family Foundations, which are summarized here as part of this introduction to private foundations. These nine principles provide a useful framework about the leadership characteristics of family foundations and are designed to cover the themes of governance, accountability, and family legacy.

Governance is essential to leadership, and the *first principle* is that the foundation must have a governing board that establishes the foundation's mission, guides its operations, oversees its effectiveness, and ensures its ethical conduct. Although a family foundation is established to support the family's charitable interests, it is important to have a written mission statement with grantmaking guidelines to reduce confusion on the part of other family members as well as other stakeholders, as noted below. Effective governance is recognized as a fundamental building block for good nonprofit management, and foundations are expected to model effective practice for their peers and their grantees.

The *second principle* is that authority is vested in the governing board as a whole, and each member is equipped to advance the foundation's mission. The bylaws of the foundation are the most important tool for governance, and because they have been submitted with Form 1023 to the IRS for tax-exempt status, they are a public document. Therefore, the bylaws need to include provisions for inclusion of nonfamily members, term limits, and succession. It is not unusual for family foundations to include trustees' advisers, experts on an issue, or family friends on the family foundation board. Bylaws commonly allow for conducting business electronically, and this helps when family members live in different parts of the country; it is important, however, that the family board have at least one face-to-face meeting each year. Family foundation meetings are often built into the schedule of annual holiday gatherings.

The *third principle* is to consider multiple strategies to help advance the foundation's mission. Before exploring multiple strategies, it is important to consider the foundation's mission. It is a common belief that families create a foundation to avoid taxes. While that is one consideration, research conducted by the Foundation Center, The Center on Philanthropy at Indiana University, and others has indicated that the three primary reasons donors give for creating a family foundation are: to give back to my community, to impact an issue I care about, and to enable my children and grandchildren to continue the privilege of giving. As a result, the missions of most family foundations are defined by the following characteristics: They have a specific geographic focus; they help others affected by tragedies the family has endured; or they serve institutions such as colleges, universities, and art organizations that have provided value to the donor over the years.

A defining characteristic of private foundations is that they have been created to make grants for charitable purposes. Many family foundations do not accept grant applications because the donor has designated the specific charities to benefit. However, many family foundations are recognizing that their charitable grantmaking can be complemented by other strategies. Although not new, these five examples of strategies that complement grantmaking have been growing in use in the first decade of the new century:

1. Collaborating with other family foundations on a common issue, such as early childhood programs and issues
2. Providing technical assistance to grantees through consultants and other resources that focus on the governance, finance, administration, and fundraising of the organization
3. Convening the community to explore an issue or bringing together grantees to share lessons learned in tackling a common issue
4. Supporting public policy educational efforts through research, data gathering, and other efforts to help policymakers at all levels of government better understand the impact of the charitable nonprofit sector
5. Making program related investments to leverage other investments by the public and for profit sectors in projects with a charitable purpose

The *fourth principle* is that the foundation board shall exercise fiscal oversight—that trustees shall know and practice their fiduciary duties. There have been examples of a donor indicating that the foundation should continue to be invested in primarily one company stock, with the foundation's charitable goals often curtailed by the performance of that company. As a result, board leadership is vital in approving an investment policy that will include an asset allocation strategy and provisions for the annual charitable payout.

Expenses of the foundation need to be reasonable and in proportion to the amount spent on grants and other charitable strategies. Although many small family foundations operate as purely volunteer efforts, it is important to note that board members may be reasonably compensated for functions that a staff would normally do. The foundation board should adopt an annual budget that includes its administrative expenses as well as charitable activities. And as part of its annual fiscal oversight, it is important to have an outside financial review, with an independent audit performed every 3 years for small family foundations but every year for large family foundations.

The *fifth principle* addresses the accountability issue by recognizing that the foundation has multiple stakeholders because of its status as a nonprofit charitable corporation. There is an inherent tension in the field of organized philanthropy around the question of "whose money is this anyhow?" More than one donor has been heard to exclaim, "This is my money, and I will do with it what I please!" In 2009, The Philanthropy Roundtable published *How Public Is Private Philanthropy? Separating Myth From Reality,* which explores this issue in greater detail. Because the donor has chosen to create the family foundation, the donor needs to understand that other family members are stakeholders along with the charitable organizations—grantees and grant seekers the donor wants to support. In addition, because of the tax-exempt status, the government and the public are both stakeholders by virtue of the tax deductions the donor has received to support his or her charitable interests.

In recognizing that the foundation has multiple stakeholders, many foundations have deliberately sought out the diverse perspectives of these stakeholders by including representatives on the board or in special advisory committees exploring an issue. The foundation needs to also protect itself from the appearance of self-dealing. Minutes of foundation board meetings need to include those times when trustees have acknowledged that they serve on the board of a potential grantee. A visible conflict of interest policy is considered a best practice and should be reviewed annually by the foundation board.

Organized philanthropy could not exist in the United States without a strong nonprofit sector—in short, well-run charitable nonprofits are essential to the success of the charitable goals of private foundations. The *sixth principle* speaks to the need to respect these nonprofit partners—their missions and their expertise—and to establish positive working relationships with grantees based on candor, understanding, and fairness.

Too often, a nonprofit organization that has applied to a foundation will be heard to comment, "I have been waiting for a response to my proposal for more than 6 months." In this era of "just in time," who has the patience to wait and wait and wait? Assuming the foundation considers unsolicited proposals, a well-defined grant review process is an essential leadership practice. The grant review process may have a timeline so that applicants know, for example, how often the board considers proposals and that a response can be anticipated within a certain number of days. The process also includes a formal grant agreement letter that details the purpose of the grant, how the grant is going to be paid, a progress report confirming expenditure of the funds, and how the foundation should be acknowledged in any publicity.

Many family foundations have adopted the common grant application format promoted by regional associations of grantmakers. An example of a common grant application can be found on the Council of Michigan Foundations website at www.michiganfoundations.org. While this practice is more common with private corporate foundations, a number of family foundations are also moving to online grant application formats. Managing the grants process has become a recognized skill set in the field of organized philanthropy. There is even a grant manager network that can be accessed at info@.gmnetwork.org. Family foundations often invest in grants management software to help the board maintain its data on grants over time.

For years, many family foundations operated almost invisibly. Most donors did not want the visibility of a Carnegie or Rockefeller. But with the arrival of high-profile large donors like Ted Turner, George Soros, and Bill and Melinda Gates, the pressure to be more open and to communicate openly about the work of the foundation has become the *seventh principle.* Thanks to the Internet, a family foundation's Form 990-PF is available to the public and often can raise more questions than it answers. As a result, some family foundations produce an annual report or a letter that simply summarizes the work of the foundation for the year. It is not uncommon as well for family foundations that accept unsolicited proposals to have their own website.

What is the legacy that the donor and his or her family intend to have? The *eighth* and *ninth principles* address the issue of donor intent and leadership continuity while also recognizing the demands of a changing world. Having been involved in helping donors with the creation of their family foundations, the author has learned that a key leadership practice by donors is documenting their intentions while providing for the flexibility future generations may need in governing the foundation. Too late, heirs raise the rhetorical question, "if only Granddad had talked to me about his goals for the foundation?"

More family foundations are now using strategies to engage the next generation, such as matching personal gifts of trustees who live in other states or who may not be able to support the same geographic focus. Other family foundations have created teen-giving circles when the cousins gather annually at reunions or holiday time, and others are engaging the next generation as "junior trustees." This engagement impacts the decision to make the foundation term limited or perpetual. The highly publicized decision by Bill and Melinda Gates to end their foundation 50 years after their deaths has caused more families to consider having their foundation's term limited to one or two succeeding generations.

These nine stewardship principles frame core leadership qualities for family foundations, but let's compare them with the Stewardship Principles for Independent Foundations and Corporate Foundations.

Independent Foundations

The primary distinction for independent private foundations is that family members or corporate leaders—both representing the primary benefactor—are not involved in governance as trustees. Most of the largest private foundations are considered independent, although they may have started as family foundations. As with family foundations, a peer group of independent foundations that are members of the Council on Foundations approved a set of stewardship principles in 2005 that are very similar to the principles adopted by the family foundations and referenced above. When the family factor is removed from the equation, there are seven instead of nine principles.

Without repeating them in detail, it is worth noting several additional recommended practices. For example, with Principle 2—the recommended number of in-person meetings each year is two instead of one. In Principle 3, which addresses fiscal oversight, more attention is given to compensation practices because unlike family foundations, which are largely volunteer run, independent foundations usually have paid staff. In the early years of the new millennium, members of Congress led by the Senate Finance Committee held hearings on the issue of executive compensation in the nonprofit sector, including foundations. While not mandated by law, the Intermediate Sanctions Provisions governing executive compensation practices of public charities are now recommended for private foundations as well. This means that the board of the foundation needs to document its homework in detailing the comparable data on which salary levels are set.

The principle that addresses multiple strategies includes effective practices related to evaluation and the sharing of lessons learned. It is worth noting that an attribute of leadership is being willing to talk about failure, and this has not been a leadership attribute many foundations have been willing to adopt. Many authors on the subject of philanthropy in the United States have declared that philanthropy is the "venture capital of the nonprofit sector." Yet, it is common knowledge that successful venture capital investments require taking risks, and many investments are not successful. Therefore, it has been a cultural shift to see foundation boards and executives willing to talk publicly about their lessons learned from grants that did not produce the desired results.

The subject of diversity and inclusion is not new to the nonprofit sector. However, the principle that addresses multiple stakeholders promotes proactive work by independent foundations in seeking diverse appointments to their boards and staff. This effective practice has generated a lot of activity in the field of organized philanthropy, promoted in part by a 2008 report issued by the Greenlining Institute in California that led to the introduction of state legislation that would have required large foundations to document the diversity of trustees and staff for both themselves and grantees. Led by the California Wellness Foundation, a number of major foundations initiated the national Diversity in Philanthropy Project, which has complemented the efforts of regional associations of grantmakers and the Foundation Center to document the diversity of foundation boards and management-level staff for the first time. The initial results from surveys in California, Michigan, and New York confirm that much progress is still needed.

Finally, the principle that deals with the need to respect nonprofit organizations and strive for positive relationships with grantees includes a relatively new effective practice for all foundations—namely, asking for feedback. The Center for Effective Philanthropy at www.effectivephilanthropy.org provides comparative data to enable higher performance by foundations. Its independent assessment tools completed by applicants and grantees can help foundations answer key questions, such as: Are we working productively with grantees? The stewardship principles that help define private foundations continue to be very similar for corporate foundations as we find below.

The Corporate Foundation

Many corporations have chosen to create nonprofit private foundations to complement but not replace the corporation's community relations giving activities. If the company is privately owned, the owners may use the company as the basis for a family foundation. However, publicly traded companies can decide to create a corporate foundation as part of their corporate social responsibility plan. The corporate foundation receives the majority of its funding from the parent company, often through an annual allocation determined by the company's management team.

Research confirms that endowing the corporate foundation when the company is doing well will provide a cushion to continue its philanthropy during those times when the company may not be meeting its profit goals. While the board of the corporate foundation is usually made up of representatives selected from the company's management team, it is not unusual for companies to include representatives from outside the company—particularly if the company has a geographic focus on certain communities.

Corporate foundation members of the Council on Foundations have also adopted the seven common stewardship principles referred to above for family and independent foundations. The principle on accountability adds additional focus on documenting the affiliations or involvement of company directors with potential and actual grantees to avoid conflict of interest situations that may be both perceived and actual.

However, two recommended stewardship principles are unique to corporate foundations and reflective of the leadership role that corporate philanthropy can play on a national and global level. The first is to ensure that the mission and activities of the foundation are in alignment with the company's vision, mission, values, and culture. In 2010, this principle is in action, as many companies have been refocusing their corporate foundation's charitable activities on opportunities to impact education and energy—issues more aligned with their need to support development of the next generation of a trained workforce. The result in some cases has been a reduction in long-time support for arts and culture organizations.

The second principle addresses an asset unique to corporate foundations, namely, the opportunity to engage the company's employees in charitable activities. Corporate foundations use a range of strategies to implement this principle, including involving employees in the review and presentation of grants, linking employees to volunteer opportunities, and offering employees matching programs as incentives for their individual giving and volunteering.

Philanthropy is often defined as the giving of one's time, talent, and money. The corporate foundation, of the three types reviewed thus far, is best equipped, thanks to the assets of the company's employees, in putting philanthropy to work in the fullest sense. Before leaving this summary of the private foundation types, it is important to note one other type of private foundation that receives little attention from policymakers or the media but does have considerable influence in the nonprofit sector. This option is called the *private operating foundation.*

The Private Operating Foundation

The IRS tax code includes a subclassification of private foundations called operating foundations. Still a 501(c)(3) tax-exempt organization as recognized by the IRS, the operating foundation is created to conduct its own charitable, educational, or other tax-exempt activities but does not make grants like the private foundations discussed earlier in this chapter. Examples of operating foundations include research facilities, zoos, libraries, and museums. Created by the gift of one primary donor, the foundation will spend 85% of its income directly for the activities that fulfill its mission. While not accepting unsolicited proposals, the foundation may issue requests for proposals from targeted partners that can help it create programs aligned with its mission.

A number of unique features about the treatment of private operating foundations encourage donors to consider their creation; in some respects, the tax code treats them more as public charities than private foundations. For example, contributions to operating foundations are deductible to taxpayers on the same basis as contributions to public charities. In addition, an operating foundation may receive qualifying charitable distributions from other private foundations.

An example of a private operating foundation in Michigan is the Fetzer Institute (www.fetzer.org), based in Kalamazoo, which engages people and projects globally to help bring the power of love, forgiveness, and compassion to the center of individual and community life. It accomplishes this mission through a combination of projects, events, and resources.

All of the stewardship principles summarized earlier in this chapter that deal with governance and accountability and transparency issues are still appropriate and would be subscribed to by the board of a private operating foundation like the Fetzer Institute. Although the original benefactor or family members may be involved on the board, other outsiders with expertise in the operations of programs that will contribute to the mission are usually added to the board. In addition, operating foundations are staffed, so the principles that apply to the effective operations—ranging from compensation to the use of operating reserves for facilities—apply.

Later in this chapter, leadership characteristics of foundations are explored in greater detail. But it is worth noting that the leadership of private operating foundations is often measured by how the board and staff share their expertise on an issue to benefit the broader community. As a result, many operating foundations either host or cosponsor events with other partners and have active publishing initiatives.

Before discussing the leadership characteristics of foundations in greater detail, it is necessary to spend some time on the defining characteristics of public charities, which also operate as foundations, especially community foundations.

The Public Charity Foundation

As noted in the introduction of this chapter, the term *foun dation* is not trademarked, nor is it a legal term. As a result, even though an organization may have its tax-exempt status from the IRS and have the word *foundation* in its name, it is not safe to assume that it makes grants. Many nonprofit organizations and units of government, ranging from hospitals to libraries to universities and public school districts have created foundations as a tool to raise funds in a separate 501(c)(3) structure for the purposes it serves. These foundations are sometimes referred to as single-purpose public charity foundations.

The majority of these foundations do not have permanent endowment funds but raise funds annually and pass them through to the hospital or school to support special equipment needs, educational efforts, and classroom enrichment, as just three examples of thousands of possible charitable purposes. A trend in the last 20 years among some of these institutional-based foundations, such as hospitals and libraries, has been to add community grantmaking programs focusing on health and literacy issues as an outreach strategy for their organization.

A second trend that has grown over the last 20 years has been the expansion of public charity foundations that make grants for specific targeted populations, such as women's funds or ethnic funds aimed at growing immigrant populations. A number of affinity groups have developed to support these organizations, such as Hispanics in Philanthropy. More information on these affinity groups can be found on the Council on Foundations website referred to at the start of this chapter. A special example of these types of funds in Michigan is the Arab-American Community Foundation, a national effort incubated by ACCESS (www.accesscommunity.org), the largest Arab American human services and educational public charity in the United States, with support from the W. K. Kellogg Foundation, C. S. Mott Foundation, and others. Many of these relatively new grantmaking organizations and their affinity support groups have modeled their best practices on the national standards adopted by community foundations and discussed below.

However, although many public charities have received unexpected bequests earmarked for an endowment fund, these endowment funds tend to lay dormant without growing from both additional gifts and investment practices due to the lack of investment policies and expertise. As a result, many of the smaller public charities, not large colleges and universities, have determined that the best strategy to grow their endowment fund is to become an agency fund of the community foundation serving their geographic region. This allows them to take advantage of the investment expertise of the community foundation while also receiving the income generated by their endowed funds to use for the charitable purposes they designate.

This introduction to public charity foundations leads us to more information on community foundations, the fastest-growing example of a public charity foundation allowed in the U.S. tax code.

Community Foundations

Unlike the private foundation models reviewed above, which are usually created by one donor, the community foundation derives its support from a diversity of sources, which may include individuals, corporations, government agencies, and private foundations—all supporting the creation of permanent charitable funds that help their region meet changing needs over time. Unlike a family foundation board, which can be as small as three, the community foundation board is usually composed of leading citizens representing the diversity of the community and can range in size from 12 to 24.

The first community foundation was started in Cleveland in 1914, so the 100th anniversary will soon be celebrated. There are now more than 700 community foundations in the

United States, with additional models of community foundations in Europe, Africa, Russia, Southeast Asia, Korea, Japan, Canada, Mexico, and other countries in the Americas. In short, the community foundation has become a global form of organized philanthropy.

Many of the community foundations have received a boost from large private foundations, such as the W. K. Kellogg Foundation and Lilly Endowment's successful efforts to have community foundation networks serving all residents of their states of Michigan and Indiana. In Germany, the Bertlesmann Foundation has helped to create a robust network of more than 100 community foundations, and the C. S. Mott Foundation from Michigan and the Open Society Institute of George Soros led the development of community foundation efforts in Eastern Europe and Russia.

The assets controlled by community foundations have grown dramatically in the last two decades. Michigan, for example, started 1990 with 30 community foundations serving one third of the state and holding about $320 million in assets. The 2008 calendar year ended with 65 community foundations and 34 geographic affiliates serving the entire state with about $2 billion in assets. This growth is attributable in part to the ease of creating an endowed fund with a community foundation and the popularity in particular of a donor-advised fund.

Community foundations have been described by legal, financial, and tax experts as the most flexible form of organized philanthropy in the U.S. tax code. Hundreds of thousands of donors have used this form to create a *donor advised fund* instead of an independent family foundation. If a family knows what its charitable goals are, it can create a donor-advised fund in as short a period of time as 48 hours, whereas creating a family foundation can take up to 6 months.

While the community foundation retains ultimate control of the endowed funds, it considers recommendations from family members designated as advisers to the fund, and the fund can bear the name of the family. Community foundations do not have a required payout of 5% as private family foundations do, but most community foundations distribute more than 5% from their donor-advised funds. A lot depends on the size of the fund and if it is brand new or a number of years old.

In addition to the donor-advised fund, a community foundation normally has three other broad types of endowed fund. As already mentioned above, thousands of community nonprofits have created *endowed agency funds* at community foundations. In Michigan, state law was changed so that private gifts made to public units of government, including libraries and school systems, can transfer these gifts to agency endowments at their local community foundation.

The third type of endowed fund is referred to as the *field of interest fund,* and donors have created these for issues such as education, the arts, the environment, economic development, and youth. Field of interest funds, each of which can have an advisory committee, are one strategy that the community foundation can employ to ensure that it is being inclusive in serving all of the community. For example, 14 community foundations in Michigan, Ohio, Illinois, and Indiana have recently created endowed funds supporting access to recreation, enabling them to better reach populations with disabilities.

Finally, the fourth and basic endowed fund is the *unre stricted community fund,* in which a donor indicates that the foundation's board can determine the future needs of the community to be supported.

While grantmaking is a primary activity of community foundations, their leadership roles as discussed in the next section below are much broader. As they identify current and emerging issues, channel resources to address needs, and help their regions prepare for the future, community foundations are a unifying force for the public, private, and nonprofit sectors of the regions they serve.

The question can be asked: Do community foundations have recommended stewardship principles as the private foundations do? Community foundations have taken principles one step further by the development of national standards now administered by the Community Foundations National Standards Board, a supporting organization of the Council on Foundations. More than 500 community foundations are now certified through a peer review process that includes 41 standards grouped in six key areas of community foundation functioning:

1. Mission, structure, and governance including board accountability, compensation, independence, fiduciary responsibility and representation of the community
2. Resource development including parameters for administration of funds, disclosures to donors, and commitment to building long term resources
3. Stewardship and accountability covering investment and management of funds, annual audits, and public availability of financial information
4. Grantmaking and community leadership including open grantmaking programs, due diligence, and responsiveness to community needs
5. Donor relations including educating and involving donors in responding to community needs
6. Communications including frequent communications about activities and finances

These standards include the principles for private foundations as appropriate and have been implemented and promoted to community foundations with shared goals of accountability, transparency, and continuous self-improvement. They have also been implemented with a goal of promoting donor trust and reducing the potential of additional government regulation. For more information on these national standards, visit www.cfstandards.org.

The community leadership standards just noted provide an appropriate transition to further exploration of the leadership characteristics of private and public charity grantmaking foundations.

Summary

Ask a policymaker or a nonprofit organization executive or a donor to a community foundation about the distinguishing characteristics of private and public charitable grantmaking foundations, and leadership is usually in the top three. In fact, it often will trump grantmaking. Why? The assets of these foundations are defined by much more than the financial resources they have available for grants. The assets include the foundation's reputation and credibility, the leadership skills of trustees and staff, and the ability to leverage relationships and all resources for the public's benefit.

While leadership has been extensively researched and written about for years, its importance has become more significant to the nonprofit charitable sector, including organized philanthropy, in the United States with the rapid growth in both the number of organizations and their economic assets since 1990. Research conducted by Public Sector Consultants in 2008 for the Council of Michigan Foundations and the Michigan Nonprofit Association confirmed that 1 in 10 residents in Michigan works for a nonprofit charitable organization. Estimates by national economists project that the charitable sector represents 10% to 12% of the country's Gross National Product. In sum, as the introduction to the 2005 report by Grantmakers for Effective Organizations states, "Leadership matters."

In the words of leadership guru Warren Bennis, from the book *Leaders: Strategies for Taking Charge* (Bennis & Nanus, 2003), "Managers are people who do things right and leaders are people who do the right thing" (p. i). This characteristic of leadership is manifested in the values that many foundations promote equally as much as their mission and vision. It is not uncommon to find values such as honesty, integrity, openness, fairness, and accountability listed. As a result of the business scandals triggered by the collapse of Enron in the 1990s—and because so many foundations have close relationships through their boards of trustees to the business sector—ethical leadership has joined the list of values. In fact, a number of foundations, such as the Charles Stewart Mott Foundation (www.mott.org/home), have added codes of ethics that include statements, such as "We are committed to be a good corporate citizen and to comply with both the spirit and the letter of the law."

Many definitions of leadership include elements of social influence and collective action, and these elements well describe the potential of a board of trustees of a private or public charitable foundation. Each trustee of a foundation has the opportunity to participate in collective action with diverse perspectives and opinions in drawing on the collective judgment of the board to contribute to the solution of a social problem. However, leadership does not replace the formal legal structure of the foundation as a nonprofit corporation.

Over the last 20 years, there has been a shift in deliberative leadership by foundations, especially with the founders of the new private foundations created by their own and not inherited wealth. The entrepreneurial spirit of these donors has tackled the tension between the desire to achieve impact and the reluctance to impose an agenda on others. It has given place to a new recognition that leadership by foundations can be demonstrated in trying to sustain the conditions through which grantees and their stakeholders take responsibility for tackling problems and generating solutions that are better attuned to the politics and culture of the their environment. This style of leadership has been named *adaptive leadership* and is well detailed in the 2004 *Stanford Social Innovation Review* article, "Leading Boldly" by Heifetz, Kania, and Kramer. The authors share that if foundations are to be effective institutions of adaptive leadership, they must understand the value of employing their expertise, political access, media skills, and bold strategies besides their grant dollars.

While larger private and community foundations have the financial assets to employ staff to attend to operations and regulatory matters, all foundations have boards of trustees, usually started by the original donor. In his 2005 opinion piece, "Leadership and Philanthropy: The Virtue of Getting Things Done," Joe Lumarda (quoted in Kass, 2008) has captured the critical leadership characteristics of foundations:

1. *Founder leadership* donors serving as mentors to future generations of givers
2. *Leadership vision* what are the social needs not only now but in the future?
3. *Innovation leadership* introducing new perspectives, energy, skills, and risk taking to the world of social change
4. *Connective leadership* providing a safe, welcoming, and inclusive place for all ideas and perspectives
5. *Leadership communication* willing to act as a megaphone on behalf of responsible giving
6. *Management leadership* providing organizational competence, positive corporate culture, and executive integrity

While trustees of foundations both private and public can embrace these six leadership characteristics as appropriate, they also can be embraced by the staff of foundations as well—especially the program staff, who often have the most contact with potential and actual grantees. These six characteristics, however, do not represent a set of organizational or personal capacities; rather, they are individual and collective actions at work.

In this regard, it is valuable to note the recent work of the National Task Force on Community Leadership of the Council on Foundations in adopting the December 2008 *Framework for Community Leadership by a Community Foundation* (www.cof.org). This framework uses the building blocks of values, culture, will, relationships, resources, understanding, and skills to effectively exercise community leadership. The framework offers a powerful challenge to all community foundations, big and small, in its definition: "The community foundation is a catalyzing force that creates a better future for all by addressing the community's most critical or persistent challenges, inclusively uniting people, institutions and resources and producing significant, widely shared and lasting results."

As noted at the start of this chapter, foundations are enabled by the federal tax code. In a brief encounter in Washington, D.C., Congressman Charles Rangel, chair of the House Ways and Means Committee, commented to the author, "I want to know what foundations are doing to address my three Rs. Are they doing their business with rigor? Are they relevant? And are they getting results?" The leadership characteristics highlighted above apply to all foundations small and large and cover all three of his concerns. In partnership with their grantees, foundations are seeing results benefiting communities across the United States and the globe. The response to Congressman Rangel was yes on all three of his Rs.

In a rapidly changing and challenging world, there is ample evidence that private and public charitable foundations are exercising their leadership characteristics to mobilize the resources of people to survive and thrive. Just visit the websites cited at the start of this chapter to find examples. However, although money helps, it is not the answer. Foundations offer a sense of stability and opportunity for trusting relationships that foster leadership in their partners in the nonprofit, private, and public sectors as well. As Bruce Sievers wrote in his 2005 article, "Philanthropic Leadership, Money and Collective Goods," "Money alone does not a leader make. . . . How does one lead in philanthropy? . . . With as much humility as possible" (quoted in Kass, 2008).

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3

Definition of Scope, Scale, and Role of the Nonprofit Sector

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The existence and profusion of nonprofit organizations has been a defining characteristic of the United States almost since its inception. Alexis de Tocqueville (1969) declared that the associational life of Americans was a major explanation of how the United States was able to avoid the dangers of tyranny and barbarism despite its highly individualistic culture. However, although nonprofit associations and organizations have a long history within the United States, the notion of a distinctive nonprofit sector composed of organizations with shared characteristics has emerged only recently. Despite this, there is still much debate about what and who constitutes the nonprofit sector. Some have argued that "almost anything that one can say about (nonprofits) is true—or false—in at least some instance, somewhere" (Esman & Uphoff, 1984, p. 58; Najam, 1996). At the heart of the disagreement is what the sector does and does not entail, namely its external boundaries. There is widespread agreement about the boundaries of the two other sectors, the market (private) and the state (public), but no agreement exists in regard to the nonprofit sector. It is often thought of in residual terms as the organizations and associations "left over" and defined, not in terms of what it is, but what it is not (hence the term *nonprofit*). Nonetheless, there is an impetus among scholars and politicians to define this sector, particularly given its growing importance in local, national, and international policy making, implementation, and evaluation.

Today, the United States has one of the largest nonprofit sectors in both size and scope of any nation in the world. The reliance on the sector to provide services and to act as a venue for citizen interests reflects a long-standing American tradition of individualism and hostility toward government. However, a tradition of collaboration between government and nonprofit organizations also exists, combining the resources of the state with the service-delivery capabilities of the nonprofit organizations. In addition, particularly since the 1960s, the nonprofit sector has provided the genesis for a host of crucial social movements, including the civil rights movement, the environmental movement, the consumer movement, the gay rights movement, the women's movement, and many more.

Organizations within the United States are typically thought to fall into one of three sectors: (1) the *private sec tor*, consisting of businesses and industry that are "for-profit"; (2) the *public sector*, which includes government at all levels (federal, state, local) that provides services and regulations; and (3) the *nonprofit sector*, organizations that do not distribute profits to the owners or directors. Nonprofit organizations qualify for tax-exempt status under U.S. tax law, although there are different codes and requirements depending on the type of organization. The nonprofit sector composes a large and, by most measures, growing share of the U.S. economy that accounts for a substantial number of jobs throughout the country. It is also extremely diverse, including religious congregations, universities, hospitals, museums, homeless shelters, civil rights groups, labor unions, and political parties. Most of these organizations are public serving in one way or another. They provide basic need services as well as cultural, spiritual, and educational services. The sector can work as a collaborator with governments to provide enhanced services, to offer services to those who are marginalized, or to act as a proxy for a government program. In addition, the sector can also serve as a watchdog on governments and businesses and a venue for citizens to advocate and organize around specific interests.

The Nonprofit Sector and the U.S. Economy

It is often difficult to gather exact numbers about nonprofit organizations, given the fact that the majority of them are small. Universities, hospitals, and churches make up the largest part of the sector in terms of assets and employment, however, most nonprofit organizations are small. Of the 27.7 million formal organizations in the United States in 2005, 1.4 million (5.9%) were nonprofits, with businesses making up approximately 94% of all entities (and government 0.3%) (Pollak & Blackwood, 2007). The nonprofit sector accounts for about 5% of gross domestic product (GDP) and 8% of wages and salaries paid in the United States (Pollak & Blackwood, 2007). In addition to paid employees, the nonprofit sector also makes use of millions of volunteers and volunteer hours to provide services to its clients. Since the 1970s, the share of GDP produced by the nonprofit sector has risen (while governments have shrunk). Increasingly, government is shifting from direct provision of service to contracting out for other organizations to deliver the services. Declines in government employment for producing goods and services correspond to increases in nonprofit employment. In addition, in 2005, individuals, corporations, and foundations gave $260 billion in charitable contributions to nonprofits, and 29% of Americans volunteered through a formal organization (Pollak & Blackwood, 2007).

There are more than 800,000 charitable nonprofits in the United States, excluding foundations and religious congregations, an increase of more than 60% since 1993. Almost 300,000 charitable nonprofits have gross receipts of more than $25,000 and filed an IRS Form 990 in 2003. The total assets of these reporting organizations were $1.76 trillion in 2003, with total expenditures of $945 billion. The Bill & Melinda Gates Foundation was the biggest foundation giver in 2003, distributing more than $1.1 billion to nonprofits. The asset base of the sector would make the nonprofit economy the sixth largest in the world—larger than the economies of Brazil, Russia, Canada, Mexico, and South Korea (Alvarado, 2003). The National Center for Charitable Statistics (NCCS) collects information from the Internal Revenue Service (IRS) and other sources to compile comprehensive data on the nonprofit community in the United States.

The U.S. tax code defines nonprofit organizations in terms of their tax status, with the largest subset of exempt organizations known as charitable organizations and described under section 501(c)(3) of the Internal Revenue Code. Roughly half of nonprofit organizations are exempt under section 501(c)(3) and known as *charitable organiza tions;* there are many other types of tax-exempt organizations, including social welfare organizations, 501(c)(4); labor and agricultural associations, 501(c)(5); business leagues, 501(c)(6); and fraternal beneficiary societies, 501(c)(8). The IRS defines 501(c)(3) organizations as *charitable* because they serve broad public purposes, including educational, religious, scientific, and literary activities, among others, as well as the relief of poverty and other public benefit actions (NCCS, 2008).

The National Taxonomy of Exempt Entities (NTEE) system is used by both the IRS and the NCCS to classify 501(c)(3) nonprofit organizations into 26 major groups under 10 broad categories: (1) arts, culture, and humanities; (2) education; (3) environment and animals; (4) health; (5) human services; (6) international, foreign affairs; (7) public, societal benefit; (8) religion related; (9) mutual/membership benefit; and (10) unknown/unclassified. This system was initiated in the mid-1990s by the IRS and classifies charitable organizations by the area in which they do their primary work.

Definition of the Sector

There are many definitions of nonprofit organizations and many more debates surrounding the definitions that have emerged. Nonprofits are organizations that are precluded, by external regulation or their governance structure, from distributing their financial surplus to those who control the use of organizational assets. Further subcategorization separates nonprofit organizations into charitable organizations and mutual benefit organizations. Charitable organizations are organizations concerned with helping those in need of food, shelter, and other necessities of life. They include organizations that specifically target the needy as well as broader serving organizations such as churches, schools, hospitals, and social service organizations (Powell & Steinberg, 2006). Mutual benefit organizations, such as labor unions, trade associations, and social clubs, which are also nonprofit, are different from charitable organizations in that they benefit a specific class of members. Charitable organizations are treated more favorably under tax and regulatory laws.

In the United States, nonprofit organizations are legally defined as incorporated entities that qualify for tax exemption from federal income tax under any of the 26 specific subsections of the Internal Revenue Code. Another definition of a nonprofit emphasizes that they are not-for-profit, while a third definition emphasizes the functions organizations perform, with the most common type of function being the promotion of the public interest.

Salamon and Anheier (1997) define the nonprofit sector by looking at the basic structure and operation of an organization. The nonprofit sector can, therefore, be defined as a collection of entities with the following characteristics:

- *Organized, formal, or institutionalized* to some extent. This is signified by a formal charter of incorporation but can also be demonstrated by having regular meetings, officers, rules of procedure, or some degree of organizational permanence. Examples range from complex organizations like a hospital or university to a local baseball league. Organizations do not have to apply to the IRS for tax exempt status to be considered formal, although it makes their status clearer if they do. They merely have to have some organizing instrument, some governing rules, and regularly chosen officers.

- *Private* or separate from government. Nonprofit organizations are neither part of government nor controlled by it, although they may receive significant financial support from the government. As such, they are often heavily influenced by government policies, which affect funding and can stimulate the rise and fall of nonprofit organizations. In addition, nonprofit organizations are often collaborators with government, working together to deliver services. Despite this close relationship, nonprofit organizations in the United States are governed by boards and are considered part of the private sector.
- *Nonprofit* or not returning any profits generated to owners or directors. Nonprofit organizations may earn profits in a given year, but they must be invested back into the organization rather than distributed among owners as in the private sector. Even unincorporated organizations must be operated in such a way that no earnings benefit the organization's officers or directors. Nonprofit organizations are permitted to *earn* profits, and many do, but those profits are to be used only to further the mission of the organization, not for the benefit of its management.
- *Self governing* or equipped to control its own activities. Nonprofit organizations must have their own internal governing procedures and not be controlled externally. Central to this is the development of a formal set of procedures for internal governance, including the designation of governing bodies and procedures for selecting trustees, choosing officers, and disposing of assets on the organization's dissolution.
- *Voluntary* or some meaningful degree of nonpaid participation. For example, the presence of some voluntary input, even if only a voluntary board of directors, is sufficient to define an organization as *voluntary.* This criteria works along with the *not for profit* requirement as a proxy for an organization that provides public benefit.

Terminology

There are many ways to categorize and label organizations, and while the focus here is on the nonprofit sector, a variety of alternative nomenclature can be found throughout the literature and may be confusing. The term *nonprofit* may be the most neutral, in that it emphasizes the most basic defining feature of these organizations, the fact that they do not exist to generate profits for owners or shareholders. However, the term itself is negative in defining the organization as what it is *not* rather than what it is. In addition, it implies that these organizations fail to generate profit, which can be misleading because many can and do generate profit but do not distribute it. Therefore, some authors choose to call these organizations *not for profit* rather than simply *nonprofit*.

Another popular way to refer to the nonprofit sector is *charities* or *charitable organizations*. It identifies these organizations as helping the needy and emphasizes the support they get from individual giving, foundations, and government. However, this sector incorporates many different types of organizations, including ones that deal with the arts, culture, education, and other activities, which while contributing to public welfare, do not specifically target the needy. In addition, some large nonprofit organizations receive most of their funding from fees for goods and services and do not rely on donations at all (e.g., hospitals).

A third way to refer to the nonprofit sector is *voluntary organizations*. Although more common in the United Kingdom than the United States, this term emphasizes the critical role played by volunteers in these organizations. However, it fails to address the correspondingly crucial role played by paid employees in this sector, which has become increasingly professionalized in recent years. Much of the day-to-day operation and function of these organizations, as well as future planning, is undertaken by paid staff rather than volunteers.

The *independent sector,* a fourth way to discuss these organizations, is also contested and problematic. This term emphasizes the role these organizations play as a counterpoint to the public (government) and private (business) sectors. They can play a role and provide a vehicle for citizens to be involved in social and political life, as well as provide checks and balances on the other sectors, serving as a watchdog for the public good. However, although the nonprofit sector does serve outside of the administrative structure of the state, it is not completely independent. Organizations are often heavily financially dependent on the state and often engaged in a mutually beneficial partnership with it to serve the public.

Finally, this sector is often referred to as the *tax exempt sector,* which is fundamentally correct. These organizations share a common characteristic in how the U.S. tax law treats them. However, this terminology is vague and unhelpful in trying to determine what and for whom these organizations work.

There are some other confusing terms that it is helpful to clarify. *Nongovernmental organizations* have various definitions, but it is common to define them similarly to nonprofit organizations, although this group often refers to organizations in the developing world. The term *third sec tor* often refers to this sector's position opposite the public and private sectors. This term is synonymous with *civil society*, referring to "a part of society that is distinct from states and markets, formed for the purposes of advancing common interests and facilitating collective action" (Edwards, 2004, pp. vi–viii; Najam, 1996). In this sense, civil society contains all associations and networks between the family and the state, excluding firms (e.g., religious organizations, bowling leagues, labor unions, hospitals). There is little agreement around definitions throughout the literature, and depending on the area of the world, this sector is referred to in different terms. In the United States, it is called the nonprofit sector, in the United Kingdom, the voluntary sector, and in France, the social economy. Regardless of the differences, the role of this sector in all economies can be similar in the types of organizations that encompass it as well as its role in societies as a service provider and as an advocate for special interests.

Legal Status/Form

In the U.S. legal code, nonprofit organizations can take any of three different legal forms: unincorporated associations, corporations, or trusts. *Unincorporated associations* are groups of people who form an association and function as a nonprofit without any government approval and, as such, can establish a bank account, accept contributions, and provide services. They can claim tax-exempt status provided they do not exist to distribute profits to their officers or directors; they adopt basic rules and procedures for their organizations and, if their purpose is charitable, can even offer donors deductions on their taxes for contributions.

Although nonprofit organizations are permitted to exist without formal status, *incorporated associations* have become more common in recent years as a way to limit the liability of directors and officers for the acts of the organization and a convenient and reliable way to achieve tax-exempt status, given the government's stipulation that a group must pass an "organization test" to demonstrate that its members are truly an organization and not a "formless aggregation of individuals." Corporation laws vary by state in the United States. Finally, nonprofit organizations can be *trusts*, a collection of assets dedicated to a particular purpose. Many foundations are established as trusts, but the trust form does not protect against personal liability as the corporate form does.

Types of Tax-Exempt Organizations: Public Serving Versus Member Serving

In the United States, entities within the nonprofit sector are covered in a relatively comprehensive body of law (section 501 of the tax code and its relevant subsectors). U.S. law recognizes a separate sector of organizations that both serve public purposes and are not organized principally to earn a profit, resulting in their ability to claim exemption from federal income taxes and most state and local taxes. There are 26 different subsections of the tax law under which an organization can claim tax-exempt status, which can broadly be classified into two groups—one covering member-serving organizations such as business associations, social clubs, and labor unions and the other covering more public-serving organizations. These public-serving groups, defined by section 501(c)(3) of the U.S. tax code, are generally regarded as the charitable nonprofit sector; in addition to being exempt from federal income tax, these groups can offer donors the opportunity to claim gifts as a deduction on their own income taxes.

Section 501(c)(3) organizations can be separated into three major subgroups: religious groups, foundations and other financial intermediaries, and charitable service organizations. *Religious congregations* are considered nonprofit organizations, and because of the constitutional prohibition against governmental interference in religion, these organizations have a special status under the law. In addition to being tax exempt, they are exempt from the formal requirements to incorporate or to register and are exempt from the requirement of other nonprofits to report annually on their finances (Salamon & Anheier, 1997). The one stipulation is that they have to be engaged in religious activity and, as such, have a set of beliefs and some set of rituals.

Foundations and other financial intermediaries do not differ from charitable service organizations in their goals but merely in the means to achieve them. Private foundations do not carry out programs or deliver services but funnel their resources to organizations that do. The key feature distinguishing foundations from other charitable organizations is that they receive their income from a single source, whereas others can receive income from multiple private and public sources. Private foundations are also required to pay out a minimum of 5% of the value of their assets each year in grants. There are also operating foundations, private foundations that use the bulk of their resources to carry out their own charitable programs, rather than making grants to other organizations. The Carnegie Endowment for International Peace and the Getty Trust are examples of operating foundations. Finally, there are community foundations, organizations that pool the resources of many donors and focus their grantmaking on a particular city or region. The Cleveland Foundation and the New York Community Trust are examples of community foundations.

The IRS classifies community foundations as publicly supported charities, not private foundations. Therefore, these groups are not subject to excise taxes or distribution requirements like private foundations, and donations by individuals are tax deductible. Some nonprofits, such as hospitals and public colleges, create related or supporting 501(c)(3) organizations that may be called foundations; these groups are fundraising (rather than grantmaking) organizations and typically raise money from a broad range of donors and then distribute the proceeds to the parent organization. In addition, some other charities include the word *foundation* in their names even though they are not considered foundations according to legal definitions.

Charitable service organizations deliver services, provide information, educate the public, advocate for particular causes, provide management and financial assistance, and engage in dozens of other charitable activities. Within this group are private universities, schools, hospitals, clinics, orchestras, art galleries, museums, environmental groups, civic associations, social service agencies, day care centers, community development organizations, and many more. They make up the majority of organizations under the 501(c)(3) codes.

Member serving organizations are classified under the 501(c) codes but not under 501(c)(3). Generally, these organizations are vehicles through which groups of people can pursue common interests or goals. This includes business and professional organizations, including business leagues, chambers of commerce, and trade associations. Also included are social and fraternal organizations (e.g., homeowners' associations, fraternities and sororities, and veterans associations) and mutual benefit organizations (e.g., teachers' retirement funds, mutual insurance companies, credit unions, and farmers cooperatives).

Social welfare organizations such as the National Association for the Advancement of Colored People, the National Rifle Association, and the National Organization for Women are exempt under Section 501(c)(4) of the tax code. These nonprofits are often called social welfare or advocacy organizations, and contributions to them are not tax deductible. As a result, these nonprofits have greater latitude to participate in legislative advocacy, lobbying, and political campaign activities.

Under Section 501(c)(6) of the tax code, professional and trade associations qualify for tax-exempt status. These include chambers of commerce, business leagues, and other organizations that promote the business or professional interests of a community, an industry, or a profession. Similar to 501(c)(4), contributions to these nonprofit organizations are not tax deductible, but membership dues may be deductible as business expenses.

Scope of the Sector

Where and What

The nonprofit sector incorporates a wide variety of organizations in both size and scope, from neighborhood associations that have no paid staff to multibillion-dollar hospitals and universities. Of the 1.4 million nonprofit organizations in the United States in 2005, nearly half a million collected more than $25,000 in gross receipts, requiring them to file annual Form 990 returns with the IRS. The remaining organizations are either too small or are religious congregations, which are not required to file (Pollak & Blackwood, 2007). Organizations with less than $25,000 in gross receipts are not required to file annually with the IRS, while those with less than $5,000 in gross receipts do not have to register with the government.

The vast majority of nonprofit organizations are registered with the IRS as 501(c)(3) *public charities,* a category that includes most arts, education, health care, and human service organizations (this also includes the nation's roughly 350,000 religious congregations). The remaining 501(c)(3) organizations are private foundations, which are usually endowed by an individual, family, or, less frequently, a corporation and typically fund the charities. Examples of large foundations include the Ford Foundation, which funds projects focused on strengthening democratic values, community and economic development, education, media, arts and culture, and human rights, and the Bill and Melinda Gates Foundation, which looks to improve health care and reduce poverty throughout the world.

Although nonprofit organizations are located throughout the United States, 42% of them are located in seven states (California, Florida, Illinois, New York, Ohio, Pennsylvania, and Texas), and the organizations within these states account for 42% of the sector's assets nationwide (Alvarado, 2003). In addition, New England has the largest number of organizations per resident (disregarding the District of Columbia, which has four times the number of organizations per resident of the closest state). Nonprofits are found in all 50 states and are located in both urban and rural areas, although more organizations are located within urban areas.

Scale of the Sector

Size of Sector

It is difficult to gauge the size of the sector given the large number of unincorporated and unregistered organizations. In 2005, there were about 1.4 million nonprofit organizations registered with the IRS, which excludes religious congregations and organizations with income less than $5,000 a year, which are not required to register. Most of these registered organizations are considered *public charities* (more than 800,000 in 2005), although fewer than half of those earn more than $25,000 a year. In addition, there are more than 100,000 private foundations in the United States, with assets totaling over $450 billion. Nonprofit organizations receive $260 billion annually from private sources, more than 75% of that from individuals and households. People give an average of 2% of their income to the nonprofit sector, and 65 million people volunteer in this sector annually (Pollak & Blackwood, 2007). In addition, the sector is growing in both size and scope, with 300,000 more nonprofits registered in 2004 than in 1994 and assets more than doubling over the same period.

The majority of charitable nonprofits are small to midsize organizations. In 2003, 77% of reporting organizations had assets of less than $1 million (holding less than 2% of the total assets of the sector) (Alvarado, 2003). In contrast, only 5% of the reporting organizations had assets greater than $10 million, but these organizations controlled 88% of the sector's assets. There are many small nonprofit organizations in terms of both employment and asset size, and the large organizations are very large and control a huge share of the sector's assets. For example, although fewer than 2% of reporting organizations are nonprofit hospitals, they hold almost 30% of the sector's assets. Alternatively, human service organizations have the largest number of organizations (with over a third of the total) but hold only 11% of the sector's assets.

Funding

In 2004, more than 70% of the revenue of public charities came from fees for goods and services (with other revenue sources including 13% from private contributions, 9% from government grants, and 4% for investment income) (Pollak & Blackwood, 2007). Within private contributions, the majority of donations come from individual giving (83%), with the remaining from private foundations (11%) and corporations (5%). Government grants include funds from federal, state, and local sources while investment income includes money from endowments and other investment funds, which accounts for a small part of private charity income. Although the common perception of this sector is that it heavily relies on charitable contributions, it is relatively self-sustaining, receiving most of its income from its own goods and services. In terms of contributions, individuals contribute the most money to these organizations.

Roughly a third of all individual charitable contributions were given to religious organizations, while education received almost 15% of total contributions (Giving USA Foundation, 2006). Individual giving has been relatively stable since the 1970s, and although private charitable contributions are not the primary source of income for nonprofits overall, they are the major source of support for five subsectors, including organizations classified under arts (41%), environment (51%), international (68%), public societal benefit (42%) and religious (57%) (Powell & Steinberg, 2006). Hospitals and higher education get most of their funds from fees for goods and services, but the rest of the sector heavily relies on private and public contributions.

Subsectors

In terms of the number of organizations, human services and public and societal benefit are the largest categories. More than one third of nonprofit organizations are considered human service organizations, although the majority of them are small in size and scope. In terms of revenue size, the health sector (which includes hospitals) is far and away the largest, with $843 billion in revenue in 2008, more than three times larger than the next largest category, which is education, with $278 billion in revenue (National Center for Charitable Statistics, 2008).

Arts, Culture, Humanities

These organizations include museums, libraries, and orchestras. They rely primarily on private contributions and often provide services free or at highly discounted rates. In addition to the tangible, they provide cultural events and meeting places for other groups within a society and area. They provide services that often entertain and attract people from outside a region, helping to stimulate local economies.

Education

The education category is broken into higher education and other education. Although higher education organizations make up fewer than 5% of the education organizations, they possess more than 75% of its assets (National Center for Charitable Statistics, 2008). This category is the second largest in terms of asset size (after the health sector). About half of all colleges and universities are nonprofit organizations, although they enroll a considerably smaller share of total students nationwide than do public universities.

Health Care

Although the number of health care organizations is less than 13% of the total number of nonprofit organizations, they own the majority of assets. Within this category, organizations are classified as to their purpose, with hospitals and primary-care facilities owning the largest amount of assets. In addition, because of the sheer size of these institutions, they often skew data one way or another. For example, most of the money for nonprofits comes from fees for goods and services. However, when health and education organizations are removed from the analysis, the remaining small charitable organizations rely much more heavily on private contributions. Just over half of all hospitals are private-nonprofit in form, with about one third governmental and the balance for-profit organizations.

Human Services

Most nonprofits—more than one third—are human services organizations. These organizations cover a broad range of topics with the common objective of meeting human needs. They include organizations that focus on job training, food distribution, shelter, youth development, and legal aid. These are the traditional charitable organizations. For the most part, they are small, rely heavily on volunteers and private donations, and are widely disbursed nationally and within states.

Others

The remaining charitable organizations fall into five categories (they are environment, international and foreign affairs, public and societal benefit, religion-related, and unknown/unclassified). The nonprofit organizations all play a role in society and, although classified in one category, often provide services and do work in other fields as well. For example, a hospital provides educational services as well as various human services (e.g., programs for expectant mothers), but its primary focus is health care, hence its classification.

Role of Sector

There are numerous debates as to what the role of this sector is and should be within society and the economy as a whole. The sector can collaborate with government to provide better and more widespread services, and it can also be a check on the states' power, ensuring that the minority is not overrun by the majority (Edwards & Hulme, 1996; Gramsci, 1971). This sector can provide services that the government either cannot or will not provide, and such groups can be efficient service delivery agents (Edwards & Hulme, 1996). In addition, this sector can represent minority groups such as women, ethnic groups, or environmentalists, whereas, in a democratic society, the government often must represent the majority.

The nonprofit sector can fulfill essential democratic functions within a society. It can provide a means for expressing and actively addressing the varied and complex needs of society; it can motivate individuals to act as citizens in all aspects of society rather than relying on the state; it can promote pluralism and diversity in society—protecting and strengthening various identities, create alternatives to state agencies for providing services with greater independence and flexibility, and establish mechanisms by which governments and markets can be held accountable to the public.

Key Issues/Future Directions

Relations With Government

The policies and practices of the U.S. government—specifically, providing financial support—helped to rapidly expand the nonprofit sector throughout the 1960s and 1970s. By the late 1970s, government assistance to nonprofits accounted for more than 30% of the overall operating revenues of nonprofit charitable service agencies, while private charitable giving by individuals, corporations, and foundations accounted for less than 20% (Salamon, 1999). The 1980s Reagan era saw government removing itself from the picture, resulting in significant fiscal strain for the nonprofit sector. Outside of the health field, federal support to nonprofit organizations declined by one fourth in the early part of the decade and did not return to its 1980 level until 1990.

In the 1990s, nonprofit organizations became more important because they were often a more efficient and effective service delivery mechanism than government. These organizations are often able to go where governments cannot, can represent minority groups (whereas the government necessarily represents the majority), and are often cheaper than government agencies, given the amount of volunteer time and private contributions. Governments are increasingly partnering with nonprofit organizations and contracting out services to these organizations (Salamon, 1999). However, there are some limitations and areas that the sector should focus on to improve services and the sector as a whole. For many of the nonprofit organizations—particularly the small ones, which make up the majority of groups within this sector—unreliable sources of funding make it difficult to plan for the future (Weisbrod, 1988). Reliance on any one source of funding—in the 1970s, for example, on government funding—makes an organization highly vulnerable to changes in the economic, political, or social climates. Thus, the economic downturn after 2007 could severely affect many nonprofit organizations, which once relied heavily on private contributions or even public contributions. Many groups wonder what funds they will have this year, making it difficult for them to fulfill their missions and deliver their services. For nonprofit organizations to survive and thrive, they need to diversify their funding. In addition, there is increasing focus on social enterprise for nonprofit organizations, ventures that allow nonprofit groups to run small businesses that pay for their other programs, allowing them to become fully self-sufficient and not reliant on outside sources of funding.

Accountability

In addition to funding questions, more attention has been paid to accountability, which can be defined as organizations answering to stakeholders (including beneficiaries, boards, donors, staff, partners, and peers) for the results and impacts of projects and programs and the use of resources to achieve those results (Edwards & Hulme, 1996). In addition, accountability for nonprofits is multidirectional, having at least two bottom lines, their mission's effectiveness and their financial sustainability (Edwards & Hulme, 1996). Nonprofits are legally accountable to sector regulators and in some cases to donors, governments, and partners; financially accountable to their boards and funders; and ethically responsible to those they seek to serve (Edwards & Hulme, 1996). Because such organizations have multiple accountabilities and no primary constituency, there can be no "best practices" but merely good practices that work for a particular problem or situation.

Nonprofit organizations are legally responsible only to their governments (e.g., in the United States, they are classified as 501(c)(3) organizations, and as such, remain not-for-profit) and to those donors with whom they sign contracts. In recent years, donors have required more results, or at least have required evidence of those results (Edwards & Hulme, 1996). In addition, nonprofits are financially responsible to their boards. In recent years, with an increasing focus on results, the needs of the people these organizations seek to serve have emerged, with more attention paid to questions of accountability and the dangers of overaccountability to governments and donors at the expense of downward or sideways accountability to clients and beneficiaries (Edwards & Hulme, 1996).

The mission statements of many nonprofits reveal that they are advocates for and on behalf of the public for a shared common good. However, their leaders are not elected, and therefore, it is difficult for the public to hold them accountable, especially if public information is inadequate or inaccessible. By ignoring downward accountability, the effectiveness of programs and ability to achieve their mission come into question. Nonprofits are responsible to multiple stakeholders, including funders, sector regulators, and clients and communities, and as such, have to be transparent and accountable to many different people and in many different ways.

Summary

The nonprofit sector in the United States has a long and important history. Today, it plays a significant role in the U.S. economy, as an economic driver, a large employer, and a provider of necessary services. There are numerous definitions about what types of organizations make up this sector, but most groups have key similarities. They are organizations that are formal, private, not-for-profit, self-governing, and voluntary. In addition, they perform a wide variety of services and include diverse organizations such as hospitals, universities, museums, religious congregations, and food banks. They can be public serving or member serving. Public-serving organizations are typically considered as charities and serve the public good, whereas member-serving organizations serve the interests of their members (e.g., labor unions). Most nonprofit organizations in the United States are public-serving organizations.

Nonprofit organizations can be found throughout the country, in urban, suburban, and rural areas. Of the 1.4 million nonprofits, most are small in size, and most work in the human services field. However, in terms of assets owned, the health field is far and away the largest, followed closely by organizations classified under education. A small number of organizations hold most of the total assets in the nonprofit sector. There are a few very large organizations while the rest in the nonprofit sector are small in size and scope.

Most of the revenue of nonprofit organizations comes from fees for goods and services. However, this can be misleading, given the large share that hospitals and universities hold within this sector. Private contributions make up the majority of revenue in the arts, environment, international organizations, public and societal benefit, and religious organizations. Within private contributions, most of the money comes from individuals, followed by government and corporate giving.

The role of the sector is twofold, to provide services and to act as a venue for citizen action. Nonprofit organizations provide services that governments cannot or will not provide, often to marginalized groups that otherwise would not receive services or in place of government as more efficient service delivery mechanisms. In addition, organizations within this sector can represent the interests of minority groups within society, groups such as women, ethnic groups, or environmentalists and give them a venue or provide a service to them that governments cannot do. In addition, the nonprofit sector fills an essential role within a democratic society by providing a means for expressing and actively addressing the varied and complex needs of society.

There are numerous future challenges for this sector. The 1990s saw a greater reliance on nonprofits as service deliverers and increased collaboration between governments and nonprofit organizations. However, nonprofit organizations often rely too much on government funding and can be heavily affected by economic and political changes. In addition, because of the nature of nonprofit revenue, with a large portion of funding coming from individual donations, economic downturns can inhibit whether nonprofits can deliver their services and fulfill their mission, often when the services are needed most.

Greater focus on the nonprofit organization's accountability arose in the 1990s as well. Because organizations have dual purposes, financial sustainability and mission fulfillment, they are accountable to their funders, their boards, and their clients. With greater focus on performance and transparency, this sector is becoming increasingly professionalized. With less money to go around, more attention is being paid to effective delivery of programs. Nonprofit organizations have to be financially sustainable, fulfill their goals, and be professional. The current U.S. economic climate promises a large role for the nonprofit sector in providing social services like health care, job training, and educational skills for those people who have lost their jobs. This sector is growing, and nonprofit organizations are and will be vital in economic, political, and social development in the United States.

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4

A Nonprofit Organization

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Nonprofit organizations are officially recognized in the U.S. tax code by their placement indicated as 501(c). The nonprofit organizations designated as public charities carry the subcategory number 501(c)(3). These are organizations with the mission to improve the common good in areas such as education, the environment, health care, the arts, community development, assistance to individuals and families, and all of religious activity.

The nonprofit sector is composed of all types of nonprofit organizations, including small, unincorporated groups and associations with few members and little to no budget; large and formally incorporated organizations with hundreds of paid staff members, cadres of unpaid volunteers, and budgets exceeding millions of dollars; and those that fall somewhere in between. The number of nonprofit organizations in the United States includes "1.8 million registered organizations and several million other associations, including support groups, book clubs, and neighborhood action committees" (O'Neill, 2002, p. xvii); estimates by the Independent Sector in 2005 put the number of registered organizations closer to 1.9 million (Swoboda & Swoboda, 2009, p. 3).

Currently, 956,760 public charities and 112,959 private foundations are registered with the Internal Revenue Service (IRS). In addition, 443,464 other types of nonprofit organizations, such as chambers of commerce, fraternal organizations, and civic leagues, are also registered (The Urban Institute, 2008).

Characterizing the nonprofit sector as a whole is a daunting proposition. "The easiest way to describe or define the nonprofit sector is to identify what it *is not* [e.g., it is not government or business], and what it *does not do* [e.g., it does not distribute profits to owners or shareholders]" (Ott, 2001, p. 1). Exactly what it means to be part and parcel of something that *is not* or *does not do* makes providing a singular definition for the phrase *a nonprofit organization* perilous. In addition, the boundary of what constitutes the nonprofit sector is extremely permeable.

The discussion in this chapter focuses on private nonprofit organizations in the United States (the largest group of formal and informal nonprofit organizations worldwide). Nonprofit organizations exist in every country in a variety of forms and with disparate funding mechanisms. International governmental organizations (IGOs) are nonprofits whose members are governments of nation-states that voluntarily join, contribute financing, and govern. Examples of these organizations include the United Nations, the North Atlantic Treaty Organization (NATO), the European Union (EU), and the League of Arab states (the Arab League) (Pease, 2008, p. 1). In addition, there are hundreds of thousands of nongovernmental organizations (NGOs) globally including grassroots membership organizations, village councils, agriculture cooperatives, and women's credit groups funded locally or from sources abroad. Large international nongovernmental organizations (INGOs) with relief and human development missions also exist, some with household names including Oxfam, Save the Children, and Médicins Sans Frontières. The number of formal relief and development nonprofit organizations has grown substantially since the 1970s in response to corporate expansion and increasing concerns associated with globalization (Lindenberg & Bryant, 2001, p. 4). Discussion of these important national and international nonprofit organizations, however, is outside the scope of this chapter.

What Is a Nonprofit Organization?

The definition posited at the outset of this chapter is insufficient to capture many distinctive features of nonprofit organizations in the United States. Salamon (1999) defines a nonprofit organization as one that has a formal charter of incorporation, regular meetings, officers, rules of procedures, and some degree of organizational permanence. These organizations are private, self-governing, and voluntary, and they do not distribute profits. This definition includes important features of formally organized nonprofit organizations but it does not accurately describe many small, loosely knit associations.

From a public policy perspective, Hall (1987) defines a nonprofit organization as

> a body of individuals who associate for any of three purposes: (1) to perform tasks that have been delegated to them by the state; (2) to perform public tasks for which there is a demand that neither the state nor for profit organizations are willing to fulfill; or (3) to influence the direction of policy in the state, the for profit sector, other nonprofit organizations. (p. 3)

Frumkin (2002) identifies three common features of nonprofit sector organizations; they do not coerce participation, they do not distribute profits to stakeholders, and they exist without simple and clear lines of ownership and accountability (p. 3).

Anheier (2005, pp. 4–9) introduces a dizzying array of nonprofit organizations including museums, orchestras, schools, universities, adult educational organizations, research institutions, policy think tanks, health organizations, mental health organizations, human services organizations, credit and savings associations, environment and natural resources groups, local development and housing groups, humanitarian relief associations and international development organizations, human rights organizations, rural farmers' associations, religious organizations, foundations, service organizations, fraternities and sororities, special interest associations and advocacy groups, and self-help groups.

The IRS uses a coding system to classify roughly 28 different types of nonprofit organizations. These codes apply to organizations that have formally incorporated at the state level and applied for tax-exempt status under federal guidelines. This includes a great number of organizations, but many, most notably religious organizations, are exempt from filing. Very small groups and associations, likewise, are not captured in these categories.

Nonprofits are rarely established as ends in themselves. Rather, "they are instruments created to achieve other ends" (Morgan, 2006, p. 15). Van Til (2005) describes the purposes for which organizations are established by sector. A first sector includes corporations and businesses, which are formed to make a profit, produce the bulk of goods and services for a society, and hire the most labor. A second sector is government, which provides military capacity, serves as a regulator, and provides some welfare services. Private voluntary and nonprofit organizations form a third sector and pursue a variety of altruistic and social ends. These organizations "address a number of educational, charitable, and membership purposes and are supplemented by much valuable voluntary effort" (p. 41). A final sector includes family and kinship relations.

Van Til's third-sector distinction of organizations as *pri vate* and *nonprofit* differentiates them from government agencies, for-profit firms, or family or kin relations. His definition also interjects the notion of *voluntary.* Lohmann (1992) notes that a "distinction between productive and unproductive labor is, in all likelihood, the theoretical source of the contemporary distinction of profit-making and nonprofit endeavors" (p. 37). Nonprofit organizations rely on volunteer labor. About 61.8 million people, or 26.4% of the U.S. population, volunteered for an organization between September 2007 and September 2008. About 35% of these volunteers worked the most hours in religious organizations, followed by 26% at educational or youth services. Another 14% of volunteers performed activities mainly for social or community service organizations (U.S. Department of Labor, the Bureau of Labor Statistics, 2009).

Some nonprofit organizations serve almost as an arm of government. Funding patterns blur distinctions, and nonprofits can become subject to pervasive governmental direction and oversight. "Most nonprofit service organizations depend on government support for over half of their revenues: for many, government support comprises their entire budget" (Smith & Lipsky, 1993, p. 4). Nonprofits are not organized for purposes of generating profits like private businesses, but to suggest that they do not seek surplus revenues would be misleading. Many engage in entrepreneurial activities. "Money is vital. . . . No organization can operate without money" (Swoboda & Swoboda, 2009, p. 13).

Nonprofit Organizations as Organizations

The structure of a nonprofit organization varies based on size, purpose, government laws, and organizational bylaws that govern the organization and appointments to its board of directors. Nonprofit organizations are typically private organizations that are governed by a board of directors or trustees who do not receive compensation. These governing bodies provide policy direction and set and revise the nonprofit's mission and vision. They are also responsible for ensuring the fiscal viability of the organization and hiring and firing an executive director, who is responsible for its day-to-day operations. This person is typically compensated for his or her time.

One way of understanding a nonprofit organization is to observe the goals or ends to which it aspires. This is found in its mission statement, which outlines its purpose. The array of nonprofit missions is diverse. Some designated as *charitable* are public-serving organizations established for broad, often altruistic purposes. These organizations serve the poor or disadvantaged; seek to protect people, animals, or the environment; promote health, safety, science, or the arts; and provide education, information, and other goods and services to the general public.

Other *noncharitable* nonprofit organizations serve only a subsection of the public. Membership-based nonprofit organizations may provide incidental or latent benefits to a larger community, but they are organized to provide benefits to their base, typically dues-paying members. These benefits may include tangible goods and services (such as insurance coverage, automobile towing, newsletters, and bumper stickers), access to exclusive "country club" facilities and social activities (such as golf courses, swimming pools, and dances or other social events), professional development, education and networking opportunities, and intangible and psychic benefits such as an enhanced self-image, a feeling of belonging, camaraderie, and friendship.

The nonprofit sector as a whole is advantaged with an image suggestive of a selfless and generous lot, but while many nonprofit organizations are formed for beneficent purposes, the characterization is too limited (Wagner, 2000). The broader nongovernmental sector includes extremist, terrorist, and hate groups, as well as unincorporated entities such as street gangs. By one estimate, the number of hate groups in the United States is rising. Some of these are organized as nonprofit corporations, whereas others are informal groups without 501(c)(3) nonprofit charitable status. In 2008, there were 926 such groups, up from 888 the previous year (Holthouse, 2009). Ku Klux Klans, neo-Nazis, and various skinhead groups are among these. In discussing the sector, it is helpful to recognize that, collectively, the vast majority of organizations are charitable, serve the common good, and provide benefits to society. The handful of recognized hate groups that exist should not be seen as defining of the sector. Nonetheless, given broad definitions and the scope of associations that exist in the United States, they are arguably one element of the nonprofit sector.

What's in a Name?

Organizations in the nonprofit sector have been referred to as voluntary organizations, public charities, charitable organizations, informal organizations, associations, clubs, and service-providing organizations. Each descriptor captures some of the characteristics of a nonprofit organization, but each is deficient to accurately describe the features of all.

The phrase *voluntary organization,* for example, recognizes the noncoercive nature of a nonprofit organization (Frumkin, 2002) and invokes the image of voluntary labor that is necessary for the governance and the day-to-day operations of many contemporary nonprofit organizations. Nonprofit boards of directors are volunteers, who do not receive remuneration for their labor and cannot be enriched through the revenues generated by the organization. These volunteers are often professionals and leaders in their communities, bringing their experience, time, talent, treasure, and connections to their boards.

Volunteer labor is also widely used in nonprofit organizations for administrative and support services as well as for program operations, fundraising, event planning, and implementation. Yet, the phrase *voluntary sector* does not recognize the paid labor force supported by nonprofits. In 2006, nonprofit organizations—including public charities, private foundations, and all others—accounted for 8.11% of the wages and salaries paid in the United States (The Urban Institute, 2008). Contemporary nonprofit organizations are not profit seeking by definition, but they must create steady revenue streams to grow, develop, and sustain their activities. Sustaining a nonprofit organization in today's competitive environment requires attracting people with professional skill sets to their doors, and these people are increasingly compensated.

It is estimated that of the roughly 1.9 million nonprofits in the United States, 1.2 million are registered as public charities. The word *charity* means "individual benevolence and caring" and "includes relief of poverty, helping the sick, disabled and elderly, supporting education, religion and cultural heritage" (Anheier, 2005, p. 8). Charitable exempt purposes are set forth in section 501(c)(3) of the IRS code. These purposes

> are charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children or animals. The term charitable is used in its generally accepted legal sense and includes relief of the poor, the distressed, or the underprivi leged; advancement of religion; advancement of education or sci ence; erecting or maintaining public buildings, monuments, or works; lessening the burdens of government; lessening neigh borhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency. (IRS, 2009)

Many organizations can qualify as charitable. As mentioned previously, however, charitable nonprofits are just one type of nonprofit organization recognized under state laws or in the IRS codes.

A Firm Legal Foundation

The First Amendment in the Bill of Rights to the U.S. Constitution provides a firm legal foundation for nonprofit organizations to exist. Freedoms of speech, religion, association, and the press, along with the right of the people to petition the government, create wide latitude for citizens to form associations for almost any purpose. In 1819, the U.S. Supreme Court upheld the right of nonprofit corporations to remain beyond the reach of excessive government interference. In *Dartmouth College v. Woodward* (1819), the Court held that the composition of a board of directors of a legal private, charitable, eleemosynary corporation could not be altered by government. The ruling also upheld the right of boards of directors to govern and make policy decisions relatively unfettered.

A Simple Incorporation Process

To legally incorporate a nonprofit organization is a relatively simple process, which serves to facilitate rather than discourage applications. It is estimated that every day 100 new nonprofits are incorporated in the United States. To create a legal corporation, a nonprofit must file articles of incorporation documents with the state's secretary of state. Application fees are relatively small, often only a few hundred dollars (Hopkins, 2009).

The benefits of incorporation include legal safeguards for the group's officers, employees, and volunteers and reductions in state and local taxes or exemptions from property, sales, and income taxes. Legally incorporated nonprofit organizations may also apply to the IRS to request federal tax exemptions. The IRS is Congress's designated agency for reviewing applications, but eligibility, approval, and the type or amount of beneficial treatment is determined by Congress. The 1954 tax act established the codes used today by the IRS (Ott, 2001). The classifications vary based on the organization's purpose or mission, but almost all fall under the umbrella of section 501(c) of the Internal Revenue Code. Presently, almost 30 501(c) classifications exist.

Nonprofit Organizations

The categories identified by the IRS (2009) under the 501(c) coding scheme are shown in Table 4.1. A host of other nonprofits are also identified under IRS codes 501(d), 501(e), 501(f), 501(k), 521(a), and 527. As can be seen from this extensive listing, the purposes and types of nonprofit organizations are varied and vast. Examples of the most popular types of nonprofit organizations are described more fully in the following sections.

Internal Revenue Code	*Typical Organizations*
501(c)(1)	Corporations organized under act of Congress (including federal credit unions)
501(c)(2)	Title-holding corporations
501(c)(3)	Religious, charitable, and similar organizations
501(c)(4)	Civic leagues and social welfare organizations
501(c)(5)	Labor and agricultural organizations
501(c)(6)	Business leagues
501(c)(7)	Social and recreation clubs
501(c)(8)	Fraternal beneficiary associations
501(c)(9)	Voluntary employees' beneficiary associations
501(c)(10)	Domestic fraternal beneficiary associations
501(c)(11)	Teachers' retirement fund associations
501(c)(12)	Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations
501(c)(13)	Cemetery companies (owned and operated exclusively for the benefit of their members)
501(c)(14)	State-chartered credit unions, mutual reserve funds
501(c)(15)	Mutual insurance companies or associations
501(c)(16)	Cooperative organizations to finance crop operations
501(c)(18)	Employee funded pension trusts (created before June 25, 1959)
501(c)(21)	Black lung benefit trusts
501(c)(22)	Withdrawal liability payment funds
501(c)(25)	Title-holding corporations or trusts with multiple parents
501(c)(26)	State-sponsored, high-risk health coverage organizations
501(c)(27)	State-sponsored worker's compensation reinsurance organizations

Table 4.1 Main IRS Nonprofit Categories

501(c)(3) Charities

The number of charitable organizations in the United States is estimated at 1.2 million. This category of nonprofits includes service-providing charities, religious organizations, and funding intermediaries including foundations, federated funders, and professional fundraising groups (Salamon, 1999, p. 26).

One prominent service-providing charity is the Alzheimer's Association, a national nonprofit organization with state and local affiliated chapters. The Alzheimer's Association is the leading voluntary health organization in Alzheimer care, support, and research. Its mission is to "eliminate Alzheimer's disease through the advancement of research; to provide and enhance care and support for all affected; and to reduce the risk of dementia through the promotion of brain health" (Alzheimer's Association, 2010).

In addition to mission statements that explain the purpose and existence of an organization, nonprofits often use a vision statement to help inspire staff and offer the community a glimpse into what the organization hopes to achieve. The vision of the Alzheimer's Association is "a world without Alzheimer's disease." Hotlines, special event fundraisers, research and journal publications, consumer awareness bulletins, town hall meetings, support groups, research grants, information and referral for families, care consultations, education and safety services, online message boards, library services, conferences, and the like are goods and services provided by the Alzheimer's Association.

Religious charities are treated somewhat differently than other charitable nonprofit organizations. The Establishment Clause of the First Amendment to the U.S. Constitution provides organizations that promote religious views with protection from interference by government. John Marshall, Supreme Court Justice from 1801 to 1835, noted that "the power to tax" is also "the power to destroy." Thus, religious nonprofits are able to exercise a great deal of fiscal autonomy and are not held to the same reporting requirements as other charities. Of the estimated 377,640 congregations that currently serve their communities in the United States, about half have chosen to register with the IRS (The Urban Institute, 2008).

Religious nonprofit organizations are protected from invasive government inquiry and regulation, but this freedom is not absolute. Faith-based organizations that contract with governments to deliver services or those that have been charged with blatant abuses of the public trust, for example, may become subject to stringent fiscal reporting requirements. These are exceptions, however, rather than the rule. The largest faith-based organizations in the United States include Christianity, Judaism, Islam, Hinduism, Wicca, Buddhism, Sikhism, and Baha'i World Faith (Indiana University of Pennsylvania, 2009).

Funding intermediaries are charitable organizations whose principal purpose is to channel financial support, especially private charitable support, to other nonprofit organizations. These intermediaries include foundations, federated funders such as United Way of America and its affiliates, and professional fundraisers.

Foundations provide funding to other charitable nonprofit organizations, typically through earnings garnered from an endowment (Salamon, 1999, p. 26). The Foundation Center, a national nonprofit service organization that publishes research on trends in foundation growth, practices, and giving, reports that charitable foundations gave $45.6 billion in 2008 (The Urban Institute, 2008). Of this amount, 72% came from private independent foundations, 10% came from community foundations, 10% from corporate foundations, and 8% from operating foundations (The Urban Institute, 2008).

A well-known private foundation is the W. K. Kellogg Foundation, established in 1930 by breakfast cereal pioneer W. K. Kellogg. The foundation receives its income primarily from the W. K. Kellogg Foundation Trust, which owns substantial equity in the Kellogg Company, in addition to a diversified financial portfolio. The foundation is governed by an independent board of trustees and receives its income primarily from the trust's investments. The charitable mission of the W. K. Kellogg Foundation is to "support children, families, and communities as they strengthen and create conditions that propel vulnerable children to achieve success as individuals and as contributors to the larger community and society." Today, the organization ranks among the world's largest private foundations (W. K. Kellogg Foundation, 2009).

501(c)(4) Civic Leagues and Social Welfare Organizations

Civic leagues and social welfare organizations "operate primarily to further the common good and general welfare of the people of the community (such as by bringing about civic betterment and social improvements)" (IRS, 2009). Seeking legislation germane to the organization's programs is a permissible means of attaining purposes. Although 501(c)(3) charities may advocate for policy changes and engage in lobbying activity, it cannot be their primary purpose or they will jeopardize their charitable status. Thus, 501(c)(4) civic leagues and social welfare organizations may be created for the purpose of engaging in lobbying as a primary activity.

An example of a prominent 501(c)(4) organization in the United States is the National Rifle Association of America (NRA), which was founded in 1871. The NRA's Internet website includes the history and the many activities of the organization.

> While widely recognized today as a major political force and as America's foremost defender of Second Amendment rights, the NRA has, since its inception, been the premier firearms education organization in the world. But our successes would not be possible without the tireless efforts and countless hours of service our nearly four million members have given to champion Second Amendment rights and support NRA pro grams. As former Clinton spokesman George Stephanopoulos

> said, “Let me make one small vote for the NRA. They’re good citizens. They call their Congressmen. They write. They vote. They contribute. And they get what they want over time.” (NRA, 2009)

Another prominent 501(c)(4) organization is the National Organization for Women (NOW). NOW was founded in 1966 by women’s rights advocates and boasts a membership of 500,000 contributing members (NOW, 2009). Its purpose “is to take action to bring women into full participation in society—sharing equal rights, responsibilities and opportunities with men, while living free from discrimination.” NOW describes itself as the largest, most comprehensive feminist advocacy group in the United States.

> NOW’s vast and diverse membership gives us clout in the government, media and the public eye. By speaking out and taking action, NOW activists make change happen at the local, state and national level. Because we don’t rely on foun dation or corporate dollars, NOW’s work for equality and jus tice is made possible by membership dues, individual donations and volunteer hours. (NOW, 2009)

Social welfare organizations such as the NRA and NOW offer their members selective benefits such as membership cards, magazines, newspapers, e-mail alerts, bumper stickers, insurance, and the like. Membership dues are not deductible as charitable contributions and donors to these organizations cannot deduct their gifts from their personal tax obligations.

501(c)(5) Labor and Agricultural Organizations

Section 501(c)(5) provides for exemption of labor and agricultural or horticultural organizations. To gain exemption, these groups share the requirement applicable to all other nonprofit organizations: that the net earnings of the organization may not inure to the benefit of any member. The objectives of 501(c)(5) organizations must relate to the

> betterment of conditions of those engaged in the pursuits of labor, agriculture, and horticulture, the improvement of the grade of their products, and the development of a higher degree of efficiency in their respective occupations. Seeking legislation germane to the labor or agricultural organiza tion’s programs is recognized as a permissible means of attaining its exempt purposes. Thus, a section 501(c)(5) organization may further its exempt purposes through lob bying as its primary activity without jeopardizing its exempt status. (IRS, 2009)

An example of a 501(c)(5) organization is the Iowa Soybean Association (ISA). The ISA was organized in 1964 by a group of Iowa farmers who came together with a common goal of increasing the profitability of soybean production in the state. Currently, the association serves 6,000 members (ISA, 2009).

The ISA describes its activities as initiating grassroots governmental affairs activities at all levels and promoting state soybean policy positions in Des Moines, Iowa, and Washington, D.C. The organization conducts member services programs and contracts for consumer and industry information, producer communications, and research. “Members of the ISA are interested in increasing the profitability of soybeans and want to assure their livelihood in the production of soybean” (ISA, 2009).

501(c)(6) Business Leagues

Section 501(c)(6) of the Internal Revenue Code provides for the exemption of business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues, which are not organized for profit. As with other nonprofits, they share the nondistribution restriction, which means that no part of their net earnings may be used to benefit any officer or member of the organization.

A business league is an association of people having some common business interest; the organization’s purpose is to promote that common interest. These are not the regular businesses in the for-profit sector. Trade associations and professional associations are business leagues. To be exempt, a business league’s activities must be devoted to improving business conditions of one or more lines of business as distinguished from performing particular services for individuals. The term *line of business* generally refers either to an entire industry or to all components of an industry within a geographic area. It does not include a group composed of businesses that market a particular brand within an industry (IRS, 2009). Chambers of commerce and boards of trade are organizations of the same general type as business leagues. They direct their efforts at promoting the common economic interests of all commercial enterprises in a trade or community, however.

The American Medical Association (AMA) is a well-known 501(c)(6) nonprofit organization with a mission “to promote the art and science of medicine and the betterment of public health.” Its vision is “to be an essential part of the professional life of every physician” (AMA, 2009). The AMA seeks to help doctors help patients by uniting physicians nationwide to work on the most important professional and public health issues.

> The future of medicine should be decided by physicians themselves not legislators or private interests like insurance companies. So the AMA represents physicians’ interests in both the public and private sectors and offers valuable tools that empower physicians to do their best work. (AMA, 2009)

501(c)(7) Social and Recreational Clubs

Social and recreational clubs are organized for the pleasure and recreation of their members, and almost all of its activities must be for these purposes. A club will not be recognized as tax exempt if its charter, bylaws, other governing instrument, or any written policy statement provides for discrimination against any person based on race, color, or religion. There is an exception, however, for a club that in good faith limits its membership to members of a particular religion, to further the teachings or principles of that religion and not to exclude individuals of a particular race or color.

The mark of a social or recreational club is limited membership. In other words, if a club's facilities are open to the general public (people other than members or their dependents or guests), it may cause denial of exemption. This does not mean that any dealing with outsiders will automatically deprive a club of exemption, but nonprofit organizations of this type are not public-serving enterprises.

To be recognized as a 501(c)(7) organization, the IRS requires that a club to be supported solely by membership fees, dues, and assessments. A section 501(c)(7) organization may receive up to 35% of its gross receipts, including investment income, from sources outside of its membership without losing its tax-exempt status. No more than 15% of this amount may be derived from the use of the club's facilities or services by the general public or from other activities not furthering social or recreational purposes for members (IRS, 2009). If an organization has nonmember income that exceeds these limits, the club will be subject to IRS scrutiny, and its exempt status will be called into question.

The category of popular 501(c)(7) organizations is numerous and may include golf clubs, country clubs, campus sororities and fraternities, hiking clubs, book clubs, and the like. An essential earmark of an exempt club is personal contact, commingling, and face-to-face fellowship. Thus, these organizations are often small with perhaps up to several hundred members. Members must share interests and have a common goal directed toward pleasure, recreation, or other nonprofitable purpose. A statewide or nationwide organization that is made up of individual members but is divided into local groups satisfies this requirement if fellowship is a material part of the life of each local group.

501(c)(8) or 501(c)(10) Fraternal Beneficiary Societies, Domestic Fraternal Beneficiary Societies

To be exempt under IRS section 501(c)(8), a fraternal beneficiary society, order, or association must have a fraternal purpose, and its membership must be based on a common tie or the pursuit of a common object. The organization must also have a substantial program of fraternal activities and operate under the lodge system or for the exclusive benefit of the members of a fraternal organization (IRS, 2009). A lodge system requires, at a minimum, two active entities: (1) a parent organization and (2) a subordinate (called a lodge, branch, or the like) chartered by the parent that is largely self-governing. It must provide for the payment of life, sickness, accident, or other benefits to the members of such society, order, or association or their dependents. An organization that provides benefits to some, but not all of its members may qualify for exemption so long as most of the members are eligible for benefits, and criteria for excluding certain members are reasonable (IRS, 2009).

To be exempt under IRC 501(c)(10), a domestic fraternal society, order, or association must meet the above requirements but must *not* provide for the payment of life, sickness, accident or other benefits to its members. The organization may arrange with insurance companies to provide optional insurance to its members without jeopardizing its exempt status. In addition, it must devote its net earnings exclusively to religious, charitable, scientific, literary, educational, and fraternal purposes, and it must be a *domestic* organization, that is, it must be organized in the United States (IRS, 2009). Referred to colloquially as "animal organizations," the hundreds of Moose, Eagles and Elks lodges in the United States are among the best-known fraternal nonprofit organizations. The mission of the Benevolent and Protective Order of Elks of the United States is as follows:

> To inculcate the principles of Charity, Justice, Brotherly Love and Fidelity; to recognize a belief in God; to promote the wel fare and enhance the happiness of its Members; to quicken the spirit of American patriotism; to cultivate good fellowship; to perpetuate itself as a fraternal organization, and to provide for its government. The Benevolent and Protective Order of Elks of the United States of America will serve the people and communities through benevolent programs, demonstrating that Elks Care and Elks Share. (www.elks.org)

The number of traditional fraternal organizations in the United States has been on the decline in recent decades. This has been attributed to a number of causes, including hyperindividualism and an aging membership base (Bellah, Madsen, Sullivan, Swidler, & Tipton, 1985). The reduction in the number of these organizations poses dilemmas for members and raises interesting questions about the role of such organizations in local communities (Dicke, 2008).

Benefits Available to Legally Incorporated Nonprofits

A host of laws and regulations have evolved over time to provide for the exemption of nonprofit charitable, religious, educational organizations, fraternal beneficiary societies, and certain mutual savings banks and mutual insurance companies. These exemptions have been justified based on arguments of public support, ethics and morals, public policy, and special interest.

> Each of these types of entities (and numerous others) are granted exemptions generally because of the political power these special interest groups represent or the legislature's

> feeling these group's (veterans particularly) should be rewarded for past services to the country. These classifica tions also lend credence to the diversity and free association argument for exemption. (Scrivner, 2001, p. 128)

Incorporated nonprofit organizations of all types may be able to take advantage of certain tax benefits and qualify for eligibility for government grants or contracts or foundation grants. Preferred postage rates received from the United States Postal Service (USPS) is another benefit that also may be available. Only some nonprofit organizations are able to take advantage of all of these benefits. For example, donors making a contribution to a 501(c)(3) charitable nonprofit organization are able to deduct all or some of their donation from their personal tax obligation. This incentive to encourage charitable giving by individuals does not apply to other 501(c) nonprofit organizations.

The favorable postage rate provided by the USPS is likewise targeted to just a few types of nonprofits, and there are restrictions on how and when these can be used. To apply for authorization to mail at nonprofit rates, potentially eligible organizations must provide supporting documentation that they are organized and operated for a qualifying primary purpose. The organization must also show that they are not organized for profit and also that none of the organization's net income is intended to benefit any individual or private stockholder.

The USPS recognizes 10 categories of organizations that may apply for authorization to mail at nonprofit standard mail rates. These include religious, educational, scientific, and philanthropic (charitable), agricultural, labor, veterans, and fraternal organizations, along with voter registration officials and national and state political parties (USPS, 2009). Explicitly *excluded* from eligibility are organizations including government, associations of rural electric cooperatives, automobile clubs, business leagues, chambers of commerce, citizen's and civic improvement association, individuals, mutual insurance associations, political organizations other than those specified, social and hobby clubs, and trade associations.

Taken together, there are a number of attractive benefits and incentives for incorporated nonprofit organizations, with the 501(c)(3) charitable organizations receiving the best package. These nonprofits receive the most favorable tax treatment under U.S. law because they provide goods and services to the public that, in their absence, government would have to provide. There is also general support from the public for the generally beneficial activities of these organizations.

Summary

The definition of a nonprofit organization provided at the outset of this chapter offers insight but "developing a cognitive map of the [nonprofit] sector is difficult" (Gronberg, in Ott, 2001, p. ix). Attempting to describe even one small part of it with consistency is challenging. A nonprofit organization can be accurately described as a small, loose association of people with like-minded goals who volunteer their time for public purposes, but it also could just as easily be characterized as a large, formally incorporated structure with hundreds of volunteers and paid employees. And whereas vast numbers of nonprofit organizations provide benefits to the larger society, others pursue corrosive ends.

This chapter has provided an overview of nonprofit organizations that are formally organized in the United States. At the time of this writing, the information included is as precise as is possible, but changes in state or federal laws or the adoption of new policies or regulations that affect nonprofits could change its accuracy. Thus, the reader is urged to stay abreast of relevant laws, rules, and so on to ensure access to the most up-to-date information affecting the status of nonprofit organizations in the United States.

What has been provided here should by no means be considered an exhaustive discussion of nonprofit organizations. In countries such as the United Kingdom, many government agencies have adopted what are referred to as "new public management reforms." These partnerships between governments and nonprofits are proliferating, and there is a growing body of research about these collaborations (Chew & Osborne, 2009). There is much to be learned about these and a host of other nonprofit initiatives in the years to come.

In general,

> the purposes of nonprofit organizations and for profit organiza tions differ with the purpose of a nonprofit serving as the basis of its formal exemption from paying federal income taxes. Additionally, unlike for profit organizations, most nonprofit organizations are legally constrained from distributing residual earnings to individuals who exercise control over the firm, such as officers, directors, or members. (The Urban Institute, 2008)

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5

Roles of Government, Nonprofit Sector, Business, and Family and Their Interaction in Democracy

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In 2008, democracy was credited as being practiced as the formally recognized national government in 121 countries around the globe, according to Freedom House, an independent watchdog organization that monitors and promotes democracy and human rights. In each of these places, the national character, practices, and influences on democracy are heavily influenced by the history, economy, culture, religious values, and long-standing traditions of each land. For example, few would argue that there are considerable differences in the manner in which democracy is practiced in Great Britain and India; Israel and the United States; Venezuela and Germany; France and Turkey; Spain and Sri Lanka; Ukraine and Mexico. Because of the variations in place-bound democracy, it will be efficient to consider a single model that can serve as comparison for other countries of the globe.

This chapter will discuss government, the nonprofit sector, business, and family and their interaction in American democracy. It will establish a context for understanding the overarching polity—all the actions that together compose the political fabric of a community—in the United States. It will also offer definition and insight into the distinctive American civil society, a concept whose product results from the combined workings of government, the nonprofit sector, business, and family. The model will provide opportunity for students and scholars to establish four benchmark characteristics of democracy for further comparison to other countries around the globe, which are listed in the closing paragraphs. Finally, readers will note that this chapter focuses on Western underpinnings and experience and does not address issues as experienced by native peoples on the North American continent.

Background

Democracy in America has been practiced in permutations of successive complexity for nearly 400 years. It has advanced from its origins within a particular framework of countervailing economic, political, and social forces that prized individuals and their desire for a life in pursuit of their own interests. It should come as no surprise the original principles serve as the foundation for the democracy in the United States of the 21st century. So, to understand democracy today, it is necessary to recall and analyze the origins, circumstance, and principles from which American civil society arose on the North American continent.

Formal institutions of government were few during the early years of European settlement of America. In the absence of an established public civil authority, the rule of law over commercial transactions, the ownership of property, and the behavior of residents was governed by a combination of military court justice, private church leaders, and associations of individuals united by common self-interest (Ubbelhode, 1960). These practices filled a gap arising from the slender thread of public authority in a wilderness whose isolation from the Old World traditions and rituals was exacerbated by the time it took a wooden-masted sailing ship of the late 17th and early 18th centuries to cross the Atlantic Ocean and return with proper instructions to resolve conflict and establish order. In the absence of enforceable local government, a tradition of problem solving and decision making over the public good through local consensus took hold, in which the opinion and choice of private interests with economic concerns, operations, or property ownership increased in importance.

The absence of a public and formal coercive authority with the means to enforce the law stimulated affluent landowning and enterprising residents of America to associate in the pursuit of their self-interests. We are reminded that self-interests were first and foremost economic in nature. Even in the case of the Puritans, whose arrival in America is commonly attributed to a desire to escape the religious persecution in the countries of Europe, success directly related to the ability of individual communities to be not only self-sustaining but commercially profitable. This was certainly the case with the early Virginia settlements at Jamestown.

During the 17th and 18th centuries, the practice of independent decision making in colonial America was marked by two characteristics. First, although individuals preferred to be left to their own devices, they would join together for the public good when it was in their interests to do so. Second, the presence of a vast expanse of property available to those who had the power and capacity to appropriate it from the native residents of the land offered individuals opportunities for independent wealth generation and the liberty to engage in profit-making enterprises as they were inclined. The notion of profit making and wealth creation to define the intention behind the use of the terms *liberty* and *freedom* would later appear in the Constitution of the United States.

During the early to middle colonial period, democracy was local and informal; it was initially less a tool of the coercive power of government than a collaborative method of preserving the interests of individuals to exploit the opportunities for wealth in the great rough countryside. While settled communities were small and isolated by vast forests, streams, and mountains, the important connections with liberal democracy resided with the individuals, their family groups, and small-town leaders. The leading citizens of each community were associated through their level of education and affluence. But this is not the whole story. In addition to the moral purism ascribed by early leading colonial citizens such as John Winthrop in the 1630s Model of Christian Charity, wherein small-town life was cast as a shining city on the hill in the backwoods, the founders of the nation were influenced by the philosophies of freedom of rights, equality of man, and market-based economic principles put forth by the classical thinkers John Locke, Edmund Burke, Adam Smith, and others.

Looking back on these origins allows us to understand the formative seeds of democracy as political pluralism; its normative tensions among American democracy, government, business, nonprofit organizations, and family yield a distinct polity and civil society. Unlike the situation in established countries of the Old World, the tensions of governance in the New World were moderated by economic incentives that served to protect the interests of individuals by placing safeguards against, as James Madison warned, "the tyranny of the majority" and that of "private factions." In public government, the doctrine of separation of powers, separation of religion from state, freedom of speech, and the remaining rights declared in the U.S. Constitution limited the statutory power of public authority. At the same time, limits on private power and authority are set in place by public statute, market competition, and the associative organizing action individuals.

The American Political Tradition and the Ecology of Games

Democracy in middle to late colonial America incubated in an environment of little or no central authority. In place of establish regimes, bureaucracy, and the military, which might be found in the countries of the Old World, the values of informal private association for economic self-interests, small families and communities, religion, and the pragmatism of geographic isolation fashioned a private governance over public matters. Private governance rested on a delicate balance between the rights assumed by individuals and the responsibilities required of individuals to maintain those rights for all. The combination of public and private authority bound together to nurture the best conditions possible for the acquisition of wealth and composed what we might today consider a distinctive "civil society" (O'Connell, 1999).

The American political tradition arose from the early framework, established during the colonial era, of individual effort whose rewards were the creation of wealth with little interference from public authority. The sentiments behind this philosophy arose through the tug and pull of competing interests that compose American civil society and through the thinking of the founding generation of American leaders—James Madison, Thomas Jefferson, and others—who advanced the proposition that owning of property by a large number of individuals was a desirable basis for a representative government. The motivation for these yeoman farmers—independent, self-made men—would be a collective self-interest for preserving each one's ability to earn and protect his liberty to amass wealth (Gould, 2003). Today, we recognize elements of this tradition in the political platforms of the two major national parties and in the subconscious promise of freedom and liberty extended to American families, which advances the potential of the individual.

Although the well-known historian Richard Hofstadter offered an influential criticism of the American political tradition as much more nuanced in the development of U.S. economic, political, and social structures by the nation's important leaders and political figures, the tradition offers a useful lens through which to understand the roots of democracy in this country. For one, the tradition assigns to its public and private institutions, business activity, and the nature and structure of our families an important role in preserving the liberty to accumulate wealth. An important mechanism to stimulate and preserve this liberty is the tension between government, business, nonprofits, and individuals, which serve as a "check and balance" against perpetual unrestrained power in society.

This notion of check and balance will sound familiar and is a parallel to the well-known separation of powers the authors wrote into the U.S. Constitution. In the usage beyond government, the tensions between government, business, nonprofits, and individuals provide for trust, which is the life blood of liberal, pluralistic democracy and civil society. Democracy in this way of thinking obtains its character through the complex interactions—the tensions—of all the actors of polity, bound together in a competition for the creation or accumulation of wealth and the freedom to obtain wealth. Viewed through this lens, the practice of democracy depends on a civil society characterized by engaged citizens acting toward their individual and collective self-interests.

In more contemporary times, the threads of connection to the earlier era of democracy are readily apparent. People in the United States today can surely agree that self-interest is a powerful force that frames and defines our nationhood. But Americans will also recognize that competition among individuals, associations, and public authority requires a buffer to mediate points of conflict that are not resolvable if left to the government, the market, associations, or the family. As Norton Long described in his important writing of the Local Community and the Ecology of Games each player in this societal competition or "games" contends to advance their own interests by using others and are in turn used to achieve the aims of others. According to Long (1958), in the local polity, overall planning for the public good is seldom, if at all, a rational process guided by a single authority. Rather, policy decisions for public resources result from an aggregate of actions by many individuals working both independently of one another and in concert with one another through institutions they form (Banfield & Meyerson, 1955). The blend of their actions produces a contextual mosaic that Long called an "ecology" or an unconscious operation of intertwined systems that produce predictable results.

At the core of Long's (1958) thesis are associations or communities of people brought together by common goals to which they can aspire as individuals or in collaboration with others. The goals are achieved through structured activities and calculable strategies and tactics in which the community members and others can measure their success or failure. Long called these competitive interactions *games* because the primary participants compete, keep score, and win or lose based on their ability to recognize secondary and tertiary allies and to understand the advantages and possibilities presented on a shifting playing field.

Although the primary focus of community participants is on one game, interactions between multiple games occur frequently when players of one game are compelled to use and be used by players in other games. By way of illustration, Long (1958) offered examples of the real estate developer using the banker, the banker using the civic leader, the civic leader using the faith-based leader, the newspaperman, and so on. At the point where bridging connections between game communities are institutionalized through formation of nonprofit organizations, players become constituents with a greater interest in keeping score. It is important to note that the interrelationships between communities comprise a system of partnership and investment resulting in derivative constituencies of each game.

The enormous upside is that individuals may become wealthy through their own efforts in a system of democracy constructed to aid that process. Unfortunately, the price paid for the potential reward of great wealth has a cruel downside for individuals: If a player fails, the government does not offer a safety net.

Applying the ecology of games theory to democracy and public policy, which shifts with changes in technology and entrepreneurialism, successful outcomes will be incremental and deliberate in their progress. In the best of circumstances, the wheels of government move slowly but deliberatively. On the other hand, unsuccessful outcomes of the ecology of games are reflected in policy-blocking actions, government gridlock, and the political dogmatism of entrenched interests.

Defining the Roles of Government, Business, Nonprofit Organizations, and the Family in Democracy

Democracy

Much has been written about American democracy. Historians such as Gordon S. Wood point to the 18th century and the American and French Revolutions as among the most noteworthy examples of radical change from nobility-based government to the emergence of the kind of representative democracy that has come to be practiced in the United States. These early examples of modern democracy differed in terms of the level of violence and disorder employed by citizens to shift from monarchial governance in the respective countries. Nevertheless, both shared the characteristic of moving toward government that served the greater population of property owners and represented the emergence of an educated middle class of people engaged in skilled trades or business enterprise. In America, equality in democracy was established by the rule of law foremost as a way to protect the property rights and business concerns of people using representative governance by the people, for the people (Bailyn, 1992).

In America, democracy drew its character from the tension of a political philosophy that pit the rule of law and central authority against the more informal aspects of associational citizenship and the responsibility of individuals to participate in their own governance. Invariably, this tension arose in anticipation of individuals who might use the tools of public governance for their own self-interest. James Madison warned of this tendency in Federalist Papers No. 10, where he noted the danger of parties who were at the same time judges in their own causes. Most would agree that the intention of the nation's founders was to place barriers to deter government from entering into oppressive action and expensive ventures. As a result, the separation of powers was an important element of the U.S. Constitution, which positioned government to concentrate its work on maintaining favorable conditions for the development and expansion of business enterprise.

Democracy's relationship with government in the United States is one of many tensions or, as Robert Dahl wrote, conflict arising through public process and private interest. Tension is necessary to nurture and safeguard trust among the broader community because without it, no one can be trusted to act in anything but his or her own self-interest. For example, enacting legislation is a deliberative process requiring time, and compromise provides opportunity for all citizens to be made aware of the proceedings. Slowing the deliberative process also protects the private interests, which may then take action through the function of advocacy and associational interest groups. On the other hand, private interest groups must be monitored by government and other private-interest groups to avoid their undue influence and interference in the business of government.

The relationship between government and democracy is a union of actor and process. Government establishes the legal framework and mechanism for establishing an environment favorable to individuals engaged in creating and preserving wealth. Democracy provides a process through which individuals are bound to follow laws and participate in government. Intermediary organizations that we have come to call nonprofits facilitate the differences between the interests of government and business and correlate the processes of democracy with the interests of individuals. In perpetuating tension among government, business, nonprofits, and the individuals, democracy is preserved and enhanced in a manner that protects the rights and freedoms of individuals.

Liberal Tradition in American Democracy

Among the more important contributions to our understanding of liberal democracy in the United States is the thinking offered by the consensus era scholar Louis Hartz (1955) in *The Liberal Tradition in America*. Hartz explained that the classical liberalism, which embraces capitalism as an organizing principle and was proposed by the 17th-century philosopher John Locke, contributed to the long-standing and exceptional character of democracy in America. Locke's influence on the authors of the U.S Constitution was reflected in the provisions for separation of church and state, separation of powers within government, and the linkage of property ownership to economy and as arising from the labor of individuals (Ashcraft, 1986). The prevailing view was that the American colonies did not have to overthrow a feudal social and economic class system. In fact, some such as Theodore Lowi (1995) argue that the Mayflower Compact established the tone in the New World for civil agreements and resolutions for disagreement as it constituted government through written contract. Tocqueville's observations in the 1830s supported this explanation for the relatively nonviolent nature of the American Revolution as compared to the French (and by extension the Russian revolution in the early 20th century.

Hartz's (1955) treatment of the subject was among the first to point out that liberalism in American democracy arose through the work of individuals as a propertied but class-less polity. This tended to support the framework of the American political tradition and the use of liberal democracy as a way to manage tensions and change in society. The considerable criticism of Hartz by subsequent scholars did not refute his supposition that liberal democracy was present, expressed in the manner he portrayed, or that it influenced the greater society and political character of the United States. Rather, opponents to Hartz focused on his assertions that the American populace shared a uniformity of thought, social status, and access to the economic spoils of their labors. In other words, the criticism was not about liberal democracy as a feature of American polity, but about the fact that in its practice, liberal democracy was not accessible to women and racial and ethnic minorities, who did not participate in or benefit from it.

Government

Government's role in American democracy is a matter of practical application. In granting rights to citizens and expediting their participation in the process of representation, government provides the institutional space to practice democracy. Government also establishes the conditions by which citizens can achieve their self-interests within the bounds of laws. But government's role is also idealistic in that its actions must generate trust by citizens of a nation in the institutions of government and in their private interactions with businesses, nonprofits, and other individuals.

The scholarly literature on government is vast. Even so, a single standard definition of *government* is difficult to establish. For example, *Webster's Online Dictionary* offers six distinctive definitions, each using the term *govern* in its definition of government. Among them are (1) the body of persons that constitutes the governing authority of a political unit or organization, such as the officials comprising the governing body of a political unit and constituting the organization as an active agency, and (2) a small group of persons holding simultaneously the principal political executive offices of a nation or other political unit and being responsible for the direction and supervision of public affairs.

Another online source, Wikipedia, a popular cultural encyclopedia that is not monitored by formal scholarly authority, with millions of articles contributed collaboratively, defines government as "the body within an organization that has authority and function to make and the power to enforce laws, regulations, or rules." Typically, government refers to a civil government that is local, provincial, or national. However, commercial, academic, religious, or other formal organizations are also governed by internal bodies that may be considered as constituting a private government.

The classical thinker Thomas Hobbes, who predated John Locke by 50 years, considered government as a way to order society in a manner so that a single authority would make decisions to the benefit of all. In Hobbes's world, government was best provided by an authoritarian sovereign; the alternative was civil war and chaos, characteristics he felt were "natural" to man. Max Weber, an important 19th-century German social theorist, considered the coercive power of government—its ability to control the behavior of others—as its most distinctive characteristic.

More recently, Lowi (1995) explained that government in America was established as a contract between the framers of the U.S Constitution—a land-owning power elite—and the people. The contract required the elites to put limits on their power in return for consent on the part of all the people to allow government to take place. The powers were delegated to an elected legislature that allocated cascading responsibilities for public control over states and localities. The limitations on national government arose from its role to primarily promote and facilitate commerce by individuals among the states and beyond the nation's borders.

An important distinction in any discussion of government and its role in American democracy are the terms *public* and *private.* For example, a private business or nonprofit organization can provide a service for government via contracted services. In those instances, considerable fuzziness exists as to whether business enterprises or nonprofits that act in place of government or at the side of government are simply operating under the umbrella of government or acting as government.

Barry Bozeman (1987) suggested that public-ness is based on the degree to which an organization is influenced by government and market factors. An important essay by Smith and Lipsky (1993) described the phenomenon of government contracting with nonprofits to provide vital public services and the changes on the culture, operations, and values systems of these private organizations, effectively blurring the line between public and private, government or nonprofit. Dennis Young (2000) took this line of thinking further in arguing that nonprofit organizations have a role for which they may be defined through their relationship with government. Young offered that nonprofits serve as supplement, complement, or advocate against government.

Business

The discovery and exploitation of the resources of nature, skilled crafts, trades, industrial production, commerce, and the movement of goods and services were activities that stimulated the Old World to exploit the New World. The earliest enterprises in America were meant to stimulate wealth for investors who sent the first groups of settlers to Jamestown, Virginia. History informs us, then, that government in America was conceived as tool to promote and sustain commerce and business enterprise. Consequently, risk and reward are at the heart of the American political tradition.

Business forms the basis for everything American. Long ago, it was the reason for the discovery, exploration, and Old World settlement and founding of the country. Business enterprise provided the rationale for the risk-taking ventures that led to the American Revolution and the growth and development of American democracy, association, and civil society. Business interests shaped the U.S. Constitution and provided the motivation for immigration and the advancement of quality of life for individuals and families.

Simply, a business in America is a formal enterprise engaged in the provision of goods or services at a profit. Profits can be shared by owners of a business or industry to increase individual and collective wealth. Among the more simple forms of business enterprise found in capitalist countries such as the United States are those owned by a single individual or family. Traditionally, families in early America are the primary business owners and operators. Today, family-owned business and sole proprietorship still comprise the overwhelming majority of American business enterprises.

The historian Alfred Chandler (1977) wrote that business-sector enterprise in America had two distinct periods of development. The first, prior to the 1850s, was relatively unregulated and focused on the creativity and energy of individuals serving small communities. According to Chandler, business was dominated by the output of plantations and farms, small mills, and skilled crafts. After 1850, businesses emerged that took on more a corporate character, with complex manufacturing managed by professionals spread across the landscape, sometimes at great distance. Today, we would recognize these aspects of business enterprise as common characteristics of corporations of all sizes.

The independent profit motive of U.S. business enterprises requires an environment of low taxes, reliable and quality public services, and minimal regulation by outside authorities, which can result in increased costs of carrying out business activity. In this framework for business enterprise, the American political tradition exists to achieve the best balance of freedom of business operation and public oversight through regulation to protect the public interest while maintaining the best circumstances to achieve profits and generate wealth.

It is important to appreciate that the pursuit of wealth is a common interest to nearly every citizen and resident of the United States, going back to the founding of the nation. If not for the pursuit of wealth through organized business endeavors, American democracy could not exist, for individuals and families who have no tangible assets would have no stake in the system. Democracy gains traction in American society because of the belief that residents are not born into a limited life-long status but can accumulate wealth and the freedom it buys if they work hard and make smart decisions. In this sense, business and democracy are mutually sustaining components of American life.

Nonprofit Organizations

Peter Drucker (1990) observed that private nonprofit institutions are central to American society and are its most distinguishing feature. But the term *not for profit* or *non profit* is a modern invention of the U.S. government and refers to any one of 32 types of tax-exempt private organizations (Internal Revenue Service, 1997). These organizations are differentiated by the subsector of the economy in which they operate, and the Internal Revenue Service (IRS) distinctions reflect varying degrees of tax exemption and limitations on their charitable works.

Generally speaking, nonprofit organizations are governed by a volunteer board of directors who, as stewards of the organizational mission, serve a custodial role over the enterprise, receiving no monetary or business compensation for their services. Surplus operating funds, donations, grants, fees, and endowment income of the organization are reinvested for the betterment of the organization and not distributed to individuals as capital gains or return on investment.

There are many ways to understand what nonprofits are and their role in American democracy. For example, David Horton Smith and Ce Shen (2002) have written that voluntary, informal, grassroots associations are a form of nonprofit and are distinguished from governments, businesses, and families by the substantial presence of voluntary altruism. Smith and Shen do not differentiate one form of nonprofit from simple association between individuals based on the budget size or the issue drawing people together. Rather the essence of the definition is the actions of the association and the formality of its work. Smith and Shen (2002) also note that small community-based nonprofits contribute to political pluralism, participatory democracy, and permissive political control, which in turn sustain civil society.

In his primer on the nonprofit sector, Lester Salamon refers to the private nonprofit sector as the set of organizations that are privately incorporated but serve a public purpose (Salamon, 2002). We learn from Salamon that in America, nonprofit organizations predated the state because communities formed before government institutions were in place to help deal with common concerns. This use of informal associations was the means of establishing social and economic norms and ultimately civil society in America. Over time, formal private institutions have come to sustain civil society and democracy.

In the *Nonprofit Economy*, Burton D. Weisbrod (1981) noted that the limitations of government and private enterprises place the unique characteristics of nonprofits in an important role to serve important social aims that neither of the other two can serve well. In a democratic society in which government tends to serve the needs of the majority, nonprofit institutions can respond to the demands of people who feel intensely about special-interest activities.

The considerable increase in government contracting of services with nonprofit providers since the 1980s has been well documented. Steven R. Smith and Michael Lipsky (1993) express the view that contracting with nonprofits dramatically changed the way public policy was realized and that nonprofits were significantly changed by their relationship with government to deliver social welfare services. In very simple terms, private organizations with government contracts to perform public services are obligated to follow the operational rules and regulations for accountability of taxpayer-supplied funds. Maintaining compliance with government regulations adds costs and complexity to private organizations that might otherwise not have been necessary.

Dennis R. Young (2000) picks up on this theme of partnership between government and private nonprofit organizations and informs us that nonprofits can be founded and designed to serve government. Young suggested that nonprofits can serve as a supplement or complement to public services and authority. At the same time, they also serve as advocate for change through the act of feeding back information to government based on the work performed.

Walter Powell and Elisabeth Clemens (1998) have noted that nonprofit organizations exist in a gray area, straddling government and the marketplace. They appear to be neither commercial nor governmental and yet are partially sheltered by government from market forces and subsidized in part by government funding. Whether they should be tax exempt and autonomous from government and whether they should provide services to benefit the public good are issues of great concern to donors, policymakers, and governments.

In performing the work of government and providing a link to associational life in America, nonprofit organizations serve as prime agents for advocacy with public authority and in informing private interests. Nonprofits have a responsibility and provide the societal mechanism to feed information back into the system of policymakers, grantmakers, and philanthropists working to solve political, economic, and social problems and assist decision makers over the public good.

The role of nonprofits as advocates between the sectors of American society is a function of democracy that is not readily found elsewhere on the globe. As mediating or bridging organizations, nonprofits inform and allow political minorities to influence decision makers in government and protect the rights of individual citizens against unrestrained, unmonitored business activity, while preserving the environment for business enterprise. In simplest terms, nonprofits moderate tension at the boundaries of government and the market, wherein services, planning, and mediation are necessary to sustain an American political tradition that rewards individualistic effort, the creation of wealth, and limited government. Through the process of private action, nonprofits promote involvement by individuals in the regulation of government, business, and other nonprofits, using the franchise of democracy.

Family

John Gardner (2003), the influential founder of the Independent Sector, former secretary of the Department of Health Education and Welfare (HEW) in the administration of Lyndon B. Johnson, and a well-known speaker on the topic of leadership in American life, noted that each generation of caring citizens must take action to re-create and reshape society to meet the unrolling future. The social historian Arthur M. Schlesinger Sr. (1968) devoted an entire chapter in his final work, *The Birth of the Nation,* to the role of the American family, crediting the American family as the basis for sound community life, made more urgent by economic need during the country's formative years.

The theme of family resonates throughout American history as an anchor of civil society and social norms. Although traditional notions of family have been revised over the second half of the 20th century to account for the high incidence of divorce, single-parent families, children raised by grandparents, domestic partnerships, and the like, the family as a basic organizing structure, and the transfer of values from parental figures to children and youth still remains important to American democracy.

It is worth noting that interconnections between groups of people begin with family relationships and the social values and work ethic each contributes to associations with others. American democracy requires civic engagement by individuals and, through an ecology of games, contributes to the public social-policy debate. In other words, the smallest association of people, the family, forms the basis for participatory democracy.

Peter L. Berger and Richard John Neuhaus (1977), writing under the banner of the conservative American Enterprise Institute, authored an influential book called *To Empower People: The Role of Mediating Structures in Public Policy,* asserting that one way to increase public welfare services without increasing the size of government was through the use of mediating organizations. Berger and Neuhaus defined mediating organizations as structures that stand between individual people and impersonal institutions. They posited mediating structures listed in *To Empower People* were the neighborhood, the family, the church, and the voluntary association.

Neighborhoods, families, churches, and voluntary associations as mediating structures were mentioned for three reasons. First, the mediating structures enveloped the endorsement of many ideologies concerned with community by classical thinkers such as Edmund Burke, Alexis de Tocqueville, Karl Marx, and Émile Durkheim. These mediating structures were transforming dramatically in America throughout the 1950s, 1960s, and 1970s as reflected by the post–World War II baby boom, suburbanization, the decline of major American industrialized cities, and the rise of other urban areas. Second, the mediating structures sat at the center of Great Society War on Poverty programs, which called for "maximum feasible participation" and played important roles in civil and welfare rights and social justice initiatives. Third, Berger and Neuhaus's mediating structures provided rallying points (Fisher, 1993) during the 1960s and 1970s for people who had begun to question the size of government and its role in the welfare state in an American society (Smith & Lipsky, 1993) committed to private property, low taxes, and individualistic effort.

Practically speaking, the neighborhood, the family, the church, and the voluntary association readily amassed grassroots support from people in city neighborhoods for civil and welfare rights advocacy and wealth preservation in community organizing (Banfield, 1970). As a result, private nonprofit neighborhood organizations were positioned to work on behalf of their constituents with the public sector. As Berger and Neuhaus (1977) pointed out, formal associations of people provide an institutional mechanism to hold government, business, and others accountable through democratic action.

Most relevant for nonprofit executives were the characteristics Berger and Neuhaus (1977) assigned to their mediating structures. Borrowing from Burke, they suggested that the "small platoon" was an effective way to assuage the alienation people felt from their public institutions and to bridge the gap between public policy and best practice. Neighborhood-based organizations allowed for innovative problem solving. Private organizations were adaptable to changing circumstances. Mission-driven nonprofit organizations had board membership from the neighborhood and were accessible to people close to the problems at hand.

Summary and Future Directions

There is much to be learned about the nature of civil society and democracy in America. Terms such as democracy, civil society, government, business, nonprofits, and the family are familiar and yet much more complex than we may credit at first glance. Numerous scholarly journals produce even more numerous articles that struggle to pin down these surprisingly elusive concepts.

It is also no coincidence that the terms *democracy* and *civil society* are often paired in scholarly discourse. The credibility of democracy arises from the trust individuals have in the system and the seriousness with which they take their responsibilities for voting, associating, and maintaining a health oversight of public and private matters (Skocpol & Fiorina, 1999). The interconnections between Americans and their tendency to organize around issues of all kinds lay the groundwork for trust in society. Robert Putnam's (1993) research connecting effectiveness of democracy in Italy to the presence and vibrancy of voluntary associations there illustrates this principle quite clearly.

Four reinforcing facets of this discussion stand out as useful tools that students of American democracy may use to inform their understanding of the interconnections between government, business, nonprofits, and families. First, the engagement of individuals, families, businesses, nonprofits, and government officials in an ecology of games in a local community is necessary to form bonds of partnership that sustain democracy. These interconnections form the fabric of civil society and allow communities to solve public problems by private means. Second, multiple constituencies influence the goals and objectives of government, business, nonprofits, and families as they contend with other players in the ecology of games.

Third, when individuals, families, businesses, nonprofits, and government officials are flexible in their actions and organization structure and have an entrepreneurial spirit, they are extremely attractive as partners to other institutions and individuals. This characteristic promotes democracy and its evolution to meet new challenges in the United States. Fourth, associations minimize atomistic concerns of people, improve opportunities for wealth, protect the rights of people from the tyranny of unchecked authority and business, and nurture the institutions of civil society.

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6

Understanding Social Capital, Civic Engagement, and Community Building

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A major strategy of a successful nonprofit organization is collaboration with other organizations. This involvement can be structured in a number of ways including partnerships, coalitions, or collaborations (Provan, Fish, & Sydow, 2007). Activities conducted by collaborative structures include policy development, needs assessment, program delivery, or community initiatives. Such activities take both time (Cohen & Prusak, 2001) and human and financial resources (Taylor, 2002). Despite that fact, the number of collaborative relationships between nonprofit organizations and across sectors has increased significantly since the 1980s (Gray, 1989). Organizations may believe there are various reasons for collaboration. Grantmakers frequently encourage collaboration. The nonprofit may need further resources to achieve its mission or seek to achieve efficiencies in its operations. Nonprofit leaders assert that, at the community level, issues are often not resolved when one organization works in isolation (Rubin & Rubin, 2001). Motivated to come together, individual agencies and institutions often form some type of community collaborative structure to organize and accomplish the work.

Despite differences in structure, activities, or motivations, when nonprofit leaders collaborate, their experiences will have core similarities. Provan and colleagues (2007), in their review of interorganizational networks, called these dimensions "common themes, including interaction (or individuals acting on behalf of their organizations), relationships, connectedness, collaboration, collective action, trust and cooperation" (p. 481). These themes work simultaneously in a community, and so to be successful, a nonprofit leader needs to understand them and maximize them appropriately. This chapter examines collaboration as a practical way to achieve community change and then asserts that it can be understood and used strategically by applying two concepts: social networks and social capital.

Practical Aspects of Collaboration

What is a collaborative, and what does the work look like? Chaskin (1992) defined a *community collaborative* as "a group of individuals, usually representing different backgrounds and fields, who come together and organize to address a concern regarding child, family or neighborhood well-being that transcends any one organizational response" (p. 9). In collaborative work, an individual represents his or her own particular system's constituency and responsibilities and comes together with people doing the same; therefore, both the individual's motivations and the goals of the organization are involved in any collaborative activity. The family court, for example has a legislated responsibility to enforce the policies of the juvenile justice code. Schools have a legislated responsibility to provide equal opportunity for quality education. A private, mission-driven, delinquency-prevention program shares responsibilities with both the court and the schools by reducing delinquency as enforced by the court among the adolescents who attend the school. Collaborative organizations have been established all over the country to bring these seemingly differing viewpoints together formally to create integrated systems of care (Chaskin, 1999).

The capacity of a collaborative can be viewed from a number of levels. In a review of literature on interorganizational collaboration, Foster-Fishman, Berkowitz, Lounsbury, Jacobsen, and Allen (2001) found that four critical levels of capacity exist to some extent in all collaboratives: member capacity, relational capacity, organizational capacity, and programmatic capacity. This collaborative capacity refers to the conditions necessary for coalitions to be effective and build sustainable community change. Member capacity refers to individual and collective knowledge and attitudes. Programmatic capacity is the extent to which individual members and the collaborative can deliver programs; that is, can they do work?

Organizational capacity is the level of identification with the collaborative and the ability of the group to develop and to deliver a group vision. This need is pronounced when, during collaboration, the traditional role of institutions is changed. The Three-Sector Initiative (Fosler, 2002), a collaborative effort among seven organizations in the government, business, and nonprofit sectors, more specifically defined the organizational capacity required. The initiative examined these changing roles and relationships to determine how to improve cross-sector collaboration. The participants concluded that for such collaboration to be successful, the organizations (or collaboration) need to have the "capacity to collaborate" (Fosler, 2002). This capacity to collaborate does often, in fact, result in members that identify with a shared vision, and that shared vision comes to influences the work they do individually as well as the work of the collective (Bruner & Chavez, 1996).

Broad relational capacity based on members' having new ways of interacting with current contacts (relationships across participating members and organizations) and external organizations is extremely important for success (Foster-Fishman, Berkowitz, et al., 2001). In a collaborative activity, the author has observed the changes that are required for success. These include changes in each individual's role and relationships, the social and economic structures affecting the organizations, and the interactions between the collaborating organizations.

Collaborative relationships can bring with them a redistribution of power as well as a redefinition of roles. Given that the group has come together to accomplish something beyond its individual members' missions, power redistribution is a function of the coming-together process (Wolff, 2001). Redistribution of power takes the form of sharing information and referrals (Foster-Fishman, Salem, Allen, & Fahrback, 2001), as well as funding (Oliver & Ebers, 1998); creating new relationships, which might include welcoming participants from communities and points of view not normally engaged in community partnerships; and changing the perspectives of nonprofit organizations to embrace a common vision.

Collaboration is "practically" about relationships; between individuals, between two organizations (a dyad), or within a network of organizations. As described in the capacities, a successful collaboration is not "just a group" of organizations but a group with certain characteristics best understood using the conceptual dimensions of social networks.

Social Networks

A network is made up of relational ties that are used to allocate resources in a social structure. Analyzing those ties is a way of "taking social structure seriously" (Wellman, 1988, p. 20). A network comprises patterns of relationships linking a defined set of persons, objects, or events. A network is a function of the nature of those ties, in terms of when actors come together (frequency), why they do so (motivation), and what outcomes or consequences result (Mitchell, 1969). A community includes a number of networks.

Network ties are the stable, relational patterns that represent an individual's position within a network (Stevenson & Greenberg, 2000) and the emergence of subgroups based on the cross-linkages of ties (Wellman, 1988). Subgroups in a network emerge when an individual (actor) is more likely to interact with a particular subgroup of actors than with any other actors. In a study of an interagency collaborative, Frank and Yasumoto (1998) found that individuals within a collaborative formed cross-linked subgroups and were more likely than those not involved in the collaborative to exchange resources. The researchers also discovered that the ties between members of a subgroup could be distinguished from ties within a subgroup. The within-group ties bonded actors together with norms and reciprocity, whereas ties between groups bridged actors to potential resources. These subgroups exist embedded as a collection of relational ties, which form a community relational infrastructure.

Relational ties can be classified as strong or weak. Strong relational ties are emotional bonds of friendship, intimacy, and reciprocity; they tend to endure over time, whereas weak ties are less frequent and less intimate (Krackhard, 1992). Weak ties, most common among those who are unequal or heterogeneous in their social identities (Blau, 1994), tend to be more instrumental and are more likely to be threatened by conflict (Ashman, Brown, & Zwick, 1998). Weak ties have been found to increase the capacity of an individual or a subgroup to elicit new information and resources that would otherwise not be accessible. The cohesive subgroups of a network define an actor's primary affiliation, but he or she can still pursue resources through ties with other groups (Frank & Yasumoto, 1998).

In collaborative networks, there are strong and weak ties between subgroups. Operating in that context, people form associations most easily with those who are most like themselves (Putnam, 1995), whereas those with differing values, interests, or degrees of power often find it difficult to establish the bonds necessary to build trust (Ashman et al., 1998). For those participants in a collaboration who hold different values or come to the common work from different subgroups, the collaboration can help develop stronger bonds by building friendships or using other members of the group who are in a position to bring the disparate participants together and support the common community. The nature of individual relationships between and among members of a social network determines how those individuals behave within the network structure. Strong ties provide the stable structure of shared values, trust, and reciprocity, and weak ties furnish access to unique resources (Frank & Yasumoto, 1998). These relationships often help ideas to move between the nonprofits participating in the collaboration.

Another determinant of an actor's behavior within a network is the position the actor occupies in relation to others. Stevenson and Greenberg (2000) found that actors can be enabled by their network position or constrained by it. Those individuals who are central to the network are powerful in their capacity to influence a number of relational ties directly (and to allocate corresponding resources), whereas those on the periphery need brokers within the network to exert influence. There is, however, power in the periphery. Although a central position likely brings an actor access to information and resources, actors on the outside tend to be specialists or to possess unique advantages in specific areas, and that can leave those in a central position reacting to innovations on the periphery (Stevenson & Greenberg, 2000). According to Gittell and Vidal (1998), occupying a peripheral position gives an entrepreneurial advantage to those on the outside.

Two types of exchanges operate within a network to access and distribute resources: direct or generalized (indirect). These types of exchanges operate in the exchange of goods or in a social exchange in which the exchange results in acquisition of social rewards, as in quid quo pro exchanges (Bearman, 1997). In direct exchange, there is an exchange of some equivalence in perceived values. A gift is given that induces direct reciprocation. This could be an exchange of identical items, as in "You speak to me and I will speak to you," or items of equivalent value, as in "You speak to me and I will open the door for you." Another example would be an individual's acting in a certain way because doing so gives him or her a sense of warmth or regard.

The second type of exchange, generalized exchange, rests in the norm of reciprocity in that "the takers are obliged to be givers" (Bearman, 1997, p. 1390). In this type of exchange, for example, an individual will give preferential access or attention to another based on the norm that such would be afforded to him or her in some form at some time. Generalized exchange is a force in moving individual actions to be reallocated into a network of actors. In other words I do something for another without an expectation of direct reciprocity but rather with the expectation that there is general advantage for me because my actions are part of a network of others. That is a generalized exchange and is a function of the relational ties in a social network.

The ties between and among individuals in a community collaborative network define an individual's position in a network, the presence of cohesive groups, and access to potential resources through a method of exchange. Thus, ties influence both the individual actors and the network of actors within a social structure. To successfully understand these ties, one must view them at both the micro (individual) and the macro (network) levels. The concept of social capital can be used to accommodate such views.

Social Capital

Social capital is the value that is inherent in the social ties of a network (Cohen & Prusak, 2001), "the aggregate of the actual or potential resources which are linked to possession of a durable network" (Bourdieu, 1985, p. 248). A community's capacity to act on common concerns (Temkin & Rohe, 1996) and its capacity to mobilize the community involved is related to the social capital in the community. Working with more than three dozen community foundations, Putnam (2002) administered the Social Capital Community Benchmark Survey to assess the strength of a community network, based on the quality of civic ties. The survey measured dimensions of civic life, including social trust, political participation, civic leadership, and associational involvement. The survey also included a measure of giving and volunteering, a measure of faith-based engagement, a measure of the diversity of friendships, and a measure of the equality of civic engagement at the community level. Aggregate results indicated that ethnic diversity in a community was a strong predictor for a number of these dimensions. Ethnically diverse communities reported a higher density of neighborhood, ethnic, or self-help groups, and in these diverse communities, residents were more likely to report friendships with people of color and gays. These residents also reported more tolerance; the greater the community's ethnic diversity, the less likely its residents were to say that books should be banned from a public library because most people do not approve of them. The study further indicated that the more diverse a community, the less likely its residents were to trust each other, including those in their own ethnic group, and the less likely they were to connect with each other. Residents of more diverse communities were more likely to be personally isolated, to claim fewer friends, and to have less of a sense of community. Community foundations involved in the study were committed to funding programs that would build levels of connectedness and strengthen social ties within their community by giving residents the opportunity and the space to connect.

Putnam and the community foundations participating in the Social Capital Community Benchmark Survey were not alone in their focus on proximity and opportunity as critical conditions for social capital construction. Paxton (2002) referred to them as the association between individuals who are tied within a social space. After conducting a series of organizational studies, Cohen and Prusak (2001) concluded that regular patterns of association are critical for the development of the trusting, reciprocal ties that hold social capital. Such conditions also have been found to exist in housing and other related coalitions (Gittell & Vidal, 1998).

In a study of computer innovation in schools, Frank and Zhao (2001) found evidence that social capital can be built within a social space such as a school. Whereas traditional ties tended to fall within grade or curriculum groups, new collegial ties between teachers emerged informally through "technology talk" across school subgroups. This supported the informal movement of resources between groups and the potential to form shared values about the technology and subsequently built new social capital within the school network.

Understanding social capital, how it is built, and its relationship to collaborative networks is somewhat problematic because it is relevant on both the individual and the network levels (Coleman, 1990). In a community network, for example, an individual actor's capacity to access actual or potential resources through social ties (i.e., information about funding, assistance with a client) is social capital. The resources, as in the allocation of funding or the coordination of services, rest in the network and are based on collective norms, trust, and resulting action. The question is: Under what conditions does the individual level make the transition to the network level?

Frank (1995) used the metaphor of a rotating system to represent aspects of social capital in a dynamic model. He conceptualized a system with a set of actors and ties among them, where the system has mass based on the number of actors and density based on the number of ties among actors. The ties indicate that the actors are confined in a system with each other (as in teachers in a school or members of a collaborative) and must exchange with one another (see Frank, 1995). The more equal the interests of each actor in the exchange of social and nonsocial rewards, the greater the capacity for exchange. When an exchange of social or nonsocial resources occurs across the ties of two actors, the system rotates and gains momentum, positioning actors for further exchange. The force of exchanges fuels rotation of the system and moves the social tie between two individuals together, merging into collective interests and a spiraling identification with a collective. When applied to a collaborative network, this theory suggests that when members of such a network define themselves as confined to a system and exchange resources, two things occur. First, the distance between the interests of individual social ties will compress toward collective interests as exchange across social ties gains momentum and force, and second, individual exchanges will be transformed into network resources because of the dynamic nature of social capital.

Coleman (as cited in Frank & Zhao, 2001) saw norms as the form of social capital that transforms individual, direct exchange of resources to the network level. Individuals' actions "cause norms, which in turn cause sanctions and conformity" (pp. 4–5), providing momentum to a system of exchange. Actors allocate resources based on a level of certainty that their interests will compensated, based on the strength of the norms as evidenced by the accumulated experience of resource allocation.

According to Coleman (1990), social capital exists in an actor's individual (micro) position related to other actors in the network. That social capital, in turn, has implications for the network (macro) in that context. Social capital as an operating framework allows a nonprofit leader to observe individuals and their context, to make micro/macro transitions (Frank, 1995; Paxton, 2002). For illustration, consider three actors who are part of a network of agency directors. Actor A has a tie with Actor B, who in turn has such a tie with Actor C. The relationship tie between actors A and B is a social capital tie, one that holds actual or potential access to resources (Bourdieu, 1985) where the actors share values, have reciprocal regard, and act to mutual benefit (Coleman, 1990). The tie between actors B and C possesses social capital as well. Access to resources within the network, the potential between A/B and B/C, is implied by the position of the three actors within the network. Actors A and B share a level of potential and actors B and C share a level of potential, but to access or distribute resources through the network, actor A would want to go to actor B and actor C would want to go to actor B. Actor B, on the other hand, could go to either actor A or B and could, theoretically, access resources for one from the other. The relationships between actors have implications for resource acquisition based on reciprocity and mutual action. Figure 6.1 illustrates how social capital flows.

Within the context of the network, the potential to access resources or social capital is greater than just the two separate relationships. Basically, the whole is greater than the sum of the parts. Coleman (1988) asserted that social capital creates a form of organizational structure in which the structure of relationships among people facilitates action and produces results that would not be possible without such organization. Applying this notion to actors A, B, and C, then, the position of actor B influences

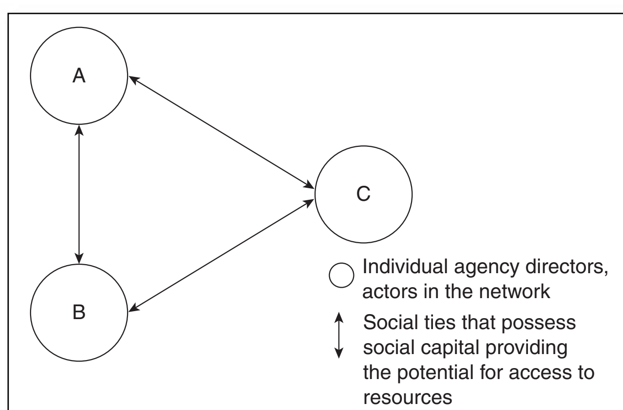

Figure 6.1 Social Capital Among Actors in a Network

SOURCE: McDonald, 2002.

the flow of resources within this network as the resources flow from actor C to actor A. The quality of ties or relationships in a community can be represented in the presence of social capital as those particular social ties, the "stock of active connections among people" (Cohen & Prusak, 2001, p. 14). The presence of social capital is a critical component for the success of a collaborative effort and for meeting the needs of the community.

The relationship between social capital and a community collaborative network is shown in Figure 6.2. When an individual becomes involved in a network, one or more of the three individual-social-ties situations may exist for that person. The person may or may not have social ties to other members of the network before the network association. Oliver and Ebers (1998) defined a social network as a pattern of interactions that connect individual actors with one another. Applied to this study, those actors would be the members of the collaborative, and the social ties for those individuals could be any combination of the three illustrated in Figure 6.2.

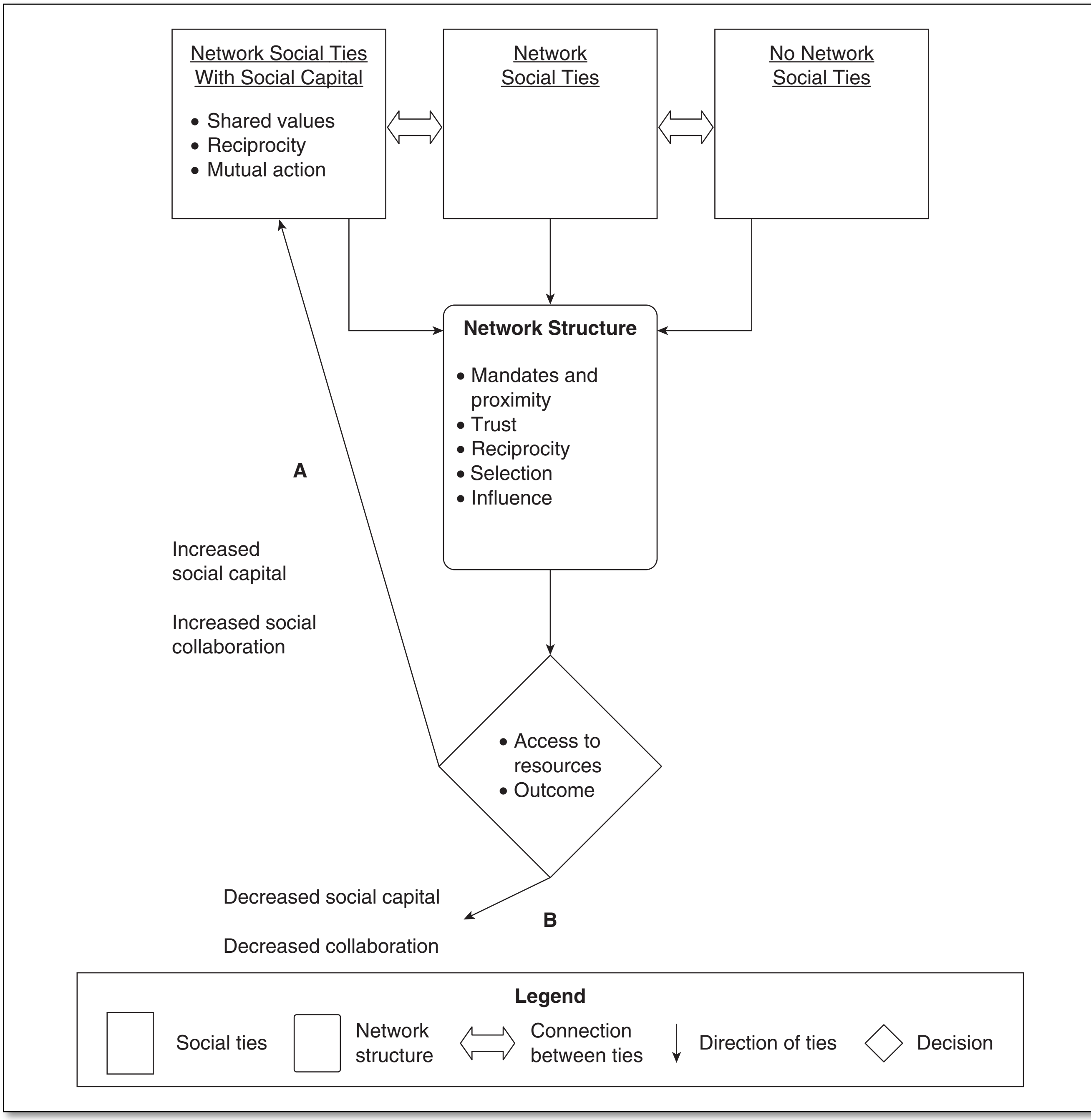

Figure 6.2 Social Capital in a Community Collaborative Network

SOURCE: McDonald, 2002.

One actor may have some ties with other collaborative network actors that possess social capital and those that do not. There may also be network actors with whom the individual has no ties. All of the potentially varied social ties are brought into the collaborative network, where, through the formal association of the collaborative, the individual ties may be influenced.

The structure of a community collaborative network is defined formally and informally. The formal structure includes traditional organizational items such as governing agreements, job descriptions, and organizational charts (mandates). The formal structure is most often the focus of collaborative research (Wolff, 2001). Those organizational items connect the individual members by providing structure and context. However, in a review of 80 articles, Foster-Fishman, Berkowitz, and colleagues (2001) concluded that collaboration requires broader relational networks (as opposed to traditional delivery) and new ways of interacting within established networks. Thus, relationships are central to the work of community coalitions.

In Figure 6.2, the social ties converge into the process labeled Network Structure, which includes all ties, both formal (organizational structure) and informal (social ties/relational structure). Formal ties include the working agreements that define the members' prescribed access or proximity, both to one another and to the formally mandated work. Into that formal process flows the relational structure, represented by the varied social ties of the individual members. Interagency collaboration is a pattern of association and includes exchange, sharing of resources, and joint efforts (Foster-Fishman et al., 2001).

When an interagency collaborative is studied as a social network, the associations between and among members can be analyzed more precisely. A social network is a specific type of relationship linking a defined set of people, objects, or events (Mitchell, 1969). These specific relationships include the individuals involved and the ramifications of the collaboration for each participant and the community as a whole. One individual nonprofit leader, for example, has a number of relationships. Within the collaborative network, while individual actors may form subgroups and hold a primary affiliation with members of their subgroups, they likely also identify through ties with others (Frank & Yasumoto, 1998).

Individuals also select some people over others. This selection occurs when one actor chooses to interact with others based on their attributes (Wasserman & Faust, 1994, part VI). Theoretically, the selection process occurs at network for one of two reasons. People choose others either because they are similar to themselves (balance seeking) or because they need some type of information (information seeking). The information can help a person achieve a goal or gain power; it can be used to gain understanding, reduce uncertainty, or inoculate an individual against risk (Frank & Fahrbach, 1997). Influence can affect an actor's pattern of social ties in a network. Interpersonal influence occurs when one influences what another thinks and subsequently does (Frank & Fahrbach, 1997).

At the junction (illustrated in Figure 6.2 as the Network Structure process), the linkages of individuals to each other and to the system are combined with the organizational structures of collaboration. At some point in that process, decisions are made about the individual and system linkages, and the consequences of those linkages become clear. Simply put, positioned with various relational ties within a structure, a person decides to engage, selects to engage with certain individuals rather than others, and through those choices can realize relational ties rich in social capital.

The consequences are represented in Figure 6.2 as arrow A and arrow B. If the process results in increased actual or potential access to resources (social capital) or increased interagency collaboration (shared resources, joint efforts), then the consequences would follow a feedback loop. In that case, the collaborative network process would have built social capital. If the process results in a decrease, then the collaborative network would have "burned" social capital, or at least failed to build any.

The point where individual social ties and the collaborative structure combine to form a network process, the decisions that are made, and the resulting consequences (as illustrated in Figure 6.2) is the success point for a community collaborative.

Making It Concrete: The Words of Collaborators

Background

In 2002, a research study was conducted on a collaborative made up of executive directors, presidents, and other cross-sector organizational leaders in a community in the Midwest, the Family Coordinating Council (FCC). In the study, social capital and social networks were used as an organizing framework for the work of the organization. Key informant interviews were conducted with members, and their responses were analyzed to form themes. The stakeholders reported that they were part of a network of relationships and came together to do community work. The findings are presented here to illustrate how individuals described their collaborative participation (McDonald, 2002).

Individuals Selected Relationships and Exercised Influence

Two themes emerged from this research related to relational ties. First, stakeholders said that their relationships varied in terms of quality; second, external forces as well as personal preference and experience, in part, determined that quality.

When asked to describe relationships with others, all key stakeholders who were interviewed indicated that they had a variety of ties with others (as conceptualized in Figure 6.2) and agreed that the quality of the ties could be considered as the granting of preferential consideration to some individuals and not to others. "I would do for him because he expects me to and we know that," one remarked. "I know that he will consider what will help me, just as he would for himself," another stated. When asked how he knew of this regard, the individual said, "We talked about it." A number of people described this quasi-formal contracting process as a method to develop collaborative relationships intentionally between either dyads of members or subgroups. This is a type of norm-setting activity. This is important in group process and, according to collaborative researchers, is evident in collaboratives that are considered successful (Wolff, 2001).

The norm-setting process is also consistent with the concept of social capital, in which trust supports the development of norms (Coleman, 1990). The reward for following norms was described in this study as increased quality in the ties. The relationships build, as one stakeholder indicated: "You learn, over time, how a person behaves behind the scenes and develop trust in the consistency." However, as regards norms, if one does not follow them, the opposite is true. Stakeholders indicated that you "renegotiate the contract" if someone "stiffs you," either with a conversation or by withdrawing from mutual action.

Stakeholders were forthcoming about the presence and value of a network that includes a variety of ties. Preferential consideration does occur, and as more than one person indicated, it is "neither good nor bad." This variation allowed the FCC member to "shop for relationships," promoting the concept of the FCC as "a cocktail party." Variation also allowed members to come and go in the network. "I connect with the people I need to but always have access to others if I have a reason to develop a stronger linkage" was the way one member described the value; another quipped, "It is one big pool of possible people." Stakeholders were clear, however, that the FCC network is an egocentric one (Wasserman & Faust, 1994), where the network is defined from the perspective of the individual actor. Many stakeholders reported that they were positioned with a variety of ties that held the potential to "parlay value" by intentionally maximizing the quality of one's network ties.

Motivation to Meet a Mandate, to Gain Access or Proximity

An individual's relationship with the collaborative (FCC) often was an economic decision based on community realities. Some stakeholders indicated that they joined the collaborative because they saw it as a source of money. The FCC distributes money for programming, and some said they went to "get at some of that." Others said that grantmakers required collaborative involvement to access other funding. This is more of a contingency involvement; that is, they were involved because it would eventually "get them resources." Thus, these two sets of people saw the FCC as a source of money.

The second group saw FCC involvement as a source of information to make them more competitive. Some used FCC involvement to sharpen the edges of a niche. One individual said he was involved to expand his sphere of influence beyond his own system and into groups that normally had nothing in common with him. "Who would have thought," he said, "that I can go to a neighborhood meeting for breakfast and the community foundation for their annual lunch? I would never have been invited before." Others saw the information as a rich source of context for their own particular work. These individuals asserted that each of the systems (i.e., education, health care, and juvenile justice) could "better" achieve its "own" outcomes if those were defined in an integrated community context. Therefore, they came to the FCC for information and linkages that colored in a richer community picture.

People described their involvement in economic rather than social or political terms. It was clearly a decision about participation as having a payback in resources into their systems. Stakeholders indicated that there was not always economic advantage, and when that occurred, they adjusted their engagement. One stakeholder indicated that community work diluted her organization's position, so she did not work in community collaboration unless there was direct benefit. She occasionally showed up to get the "lowdown" and then acted on her own. Some people said that, in a competitive environment, participating in community work is not "cost effective" because it takes so much time. Also, directors of small organizations indicated that there must be work that is done "for me" at meetings. "If I can kill two birds with one stone and connect with people, then the FCC is worthwhile for me," one commented. The economic advantage was, at least for some members, about "getting the work of my organization" done through the community table. Others thought the economic advantage to a community table created outcomes that collectively got her organization's work and that of others done.

Stakeholders reported a full range of resources that were accessed as well as distributed through the collaborative network, where, because of an individual's membership, either information or other forms of preferential access were granted. Being in a room with public policymakers and private grantmakers gives members access. Because the access is regular and semistructured, members know they might see someone else, can plan on that connection, and can use it as a point of familiarity. At the most basic level, members reported that membership in the network moved you "one step up from a cold call," granting an implied level of familiarity. As one member explained, "It is like if I see you in my neighborhood, I at least know that we have that in common, even if you were lost." So, two stakeholders who have an FCC affiliation have that in common. Should there be interest in something more, the affiliation supports that development. The "something more" often does happen, according to the stakeholders. "You see people around certain values," according to one member, "and you connect because you talk about important issues for families."

Collective Work

Stakeholders considered the opportunity for the leaders of cross-sector institutions to work together on issues critically important to the collaboration. They reported a clear need for the leaders to be engaged in some joint work. "This table is open for people who will show up and do the work," according to one of the FCC's original members. That is particularly true when there are disagreements. "You have to say what you mean, right in the meeting [not outside or when it is over] if the relationship is going to move forward," according to one participant. Being able to agree on joint projects and act collectively was a core theme among stakeholders in terms of relationships. To be able to disagree "is the only way to build trust, and that is core to doing anything between systems. I tell people all the time," one stakeholder remarked, "the key to long-term relationships in a community is sticking with it and figuring stuff out." Figuring stuff out, according to this stakeholder and others, is not just conflict resolution but more often a process of mediation. Through the discussion process, commonalities are chiseled from what may have appeared "rock-hard" positions. This type of process builds trust. According to key informants, then, common work is about outcomes (outcomes that have value to either individuals or the collective) and an engaged process.

Growth of Relationships: The Building of Trust and Reciprocity

Participation in the collaborative often changed relationships, described in Frank's rotating system (Frank, 1995). The relationship can gain momentum and expand over time or can be diluted and lose momentum over time. Take trust, for example. Informants explained how experience with others and opportunities to witness them in various settings and with various others facilitated the development of trust. It would seem, then, that the more such opportunities are presented, the higher the network's levels of trust. That is not, however, the case, according to the stakeholder interviews and meetings. Another dimension also influences relationships and work. Some stakeholders reported trust building and relationship building based on the experiences previously described, but others indicated the opposite. "I used to think he was a jerk," one stakeholder said candidly, and "then I have to go to meetings and find out that for sure he is" (conversation between the author and a participant while completing research on community collaboratives). The study results indicated that the collaborative process does not naturally develop levels of social capital but that the process provides an infrastructure for potential development. The nexus where the work and the relationships come together with resources and outcomes will take one of two trajectories. Either the relational path will build and regenerate the system, or it will exit the system. An individual will either engage in an increasingly collective effort or go elsewhere.

Direct and Generalized Exchange

Stakeholders reported a sharp difference in the level of engagement for various members. Insider/outsider distinctions were also made. Stakeholders who described themselves as "at the core" or on the inside were the stakeholders who also described themselves as coming to the table to "lean in" or to adapt "individual protocol for collaborative practice." These individuals described the FCC work with the same words—"come to the table and give more than you take"—and all said some others agreed with them and some did not.

A second group of stakeholders described themselves as "outside" or as emerging and saw the collaborative as the point of access to the "mucky-mucks" for the "doers." These people believed that the FCC helped them do the work of their organizations. They indicated that they were not being excluded from inside involvement but rather did not need to be inside. They also indicated that if they did some FCC work, they would expect a direct result.

Stakeholders expressed distinguishable differences in their relationships with each dimension of the collaborative network across the individual, the dyad, and network levels. Because the level of engagement is determined at the individual level (is egocentric), all levels of engagement can be operating at the same time.

The three levels can be interpreted as "levels of collaborative engagement" as well as levels of social capital. It is at the network level that the expressions of trust, reciprocity, and work (mutual action) reach the level conceptualized by social capital theorists (Portes, 1998).

Summary

This chapter examined collaboration as a practical way to achieve community change and then asserted that it can be understood and used strategically by applying two concepts; social networks and social capital. For nonprofit leaders, the obvious point is that collaboration is framed by relational ties and that an individual joins in collaborative activities at various levels of engagement.

Table 6.1 summarizes the levels using the dimensions of collaboration (mandates and work), social networks (influence, selection, and proximity) and social capital (reciprocity and trust).

	Individual	*Dyad*	*Network*
Mandate	Involved to meet organizational mandates/access resources	Involved to meet mandates/access for certain others	Involved to meet collective mandates and access to resources
Proximity	Access to "tell my story"	Access to hear/see others to position my story	Access to create a new story
Trust	Consider "myself" Confidence in "myself"	Consider certain others Confidence in certain others	Consider others as I would consider myself
Reciprocity	I will do for you if you do for me	I will do for you if you do for me or our mutual goals	I will do for us
Selection	I select to inoculate myself	I select to expand myself	I select because you are like me/not like me
Influence	I am not influenced	Certain others influence my work	Others' thoughts change my behavior
Work	I do my work I will do my part	I do my work through you I will do my part to help you	We do our work I will redefine my part

Table 6.1 Collaborative Dimensions

SOURCE: McDonald, 2002.

Individuals who engage at the individual level do so for direct benefit. At the dyad level, an individual is extending his or her organization and uses the access/proximity of the whole network but selects, influences, and trusts only certain people. At the network level, the sense of "doing our work" exemplifies engagement, a level at which collective work can result in new solutions. For a nonprofit leader, there is strategic advantage and success in taking each of the relational ties in the community seriously. The decision to participate in collaborative activities needs to consider these dimensions in the context of the underlying structure of community relationships.

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7

Membership Associations

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This chapter looks at membership associations. Take a guess at how many membership associations there are in the United States: 1,000? 10,000? 25,000? The answer is nearly 25,000 (*Encyclopedia of Associations,* 2008). They include national, nonprofit, membership associations; international associations housed or functioning in the United States; and for-profit associations.

Associations play a huge role in American life. Nine out of ten Americans belong to an association; one in four belongs to four or more associations. These associations provide a wide range of social and financial benefits, including the following:

- Providing education and training to their members and the public. About 95% of associations provide courses in technology, business, the arts, and health care.
- Establishing professional standards   codes of ethics; "setting the bar" on what is acceptable in terms of quality. The Association of Fundraising Professionals (www.afpnet.org), for example, has developed and published a code of ethics for its members and helped develop a Donor Bill of Rights. The Donor Bill of Rights is intended to demonstrate that "philanthropy merits the respect and trust of the general public." Among the donor rights is the assurance that their contributions "will be used for the purposes for which they were given."
- Fostering *volunteering* (getting involved without financial remuneration) and *voluntarism* (reliance on voluntary action to maintain an organization's viability). According to the *Chronicle of Philanthropy* (www.philanthropy.com), more than 60 million people (a quarter of Americans age 16 or older), performed unpaid work for a nonprofit organization in 2009.
- Developing and disseminating information; informing the public on important societal issues (the environment, for example). Much of what ultimately becomes law or other public policy starts with nonprofit associations that brought issues to the attention of the American public.
- Providing forums for the exchange of ideas (for example, the League of Women Voters' sponsorship of presidential debates). Politics is made up of political parties that sometimes seem to spend more time attacking one another than talking about issues. Forums provide a chance for unbiased interviewers to ask the hard questions we all want answered.
- Speaking for those who may not be able to speak for themselves (people with a disability, for example). It can be argued that the *Americans with Disabilities Act*, which assures fair and equal treatment for people with disabilities, originated with nonprofit associations who championed their cause.

Organizations and the Origins of Philanthropy in the United States

The United States has long been considered a world leader in philanthropy, and the philanthropic tradition had its roots in several major factors. These factors not only contributed to the beginnings of philanthropic organizations but also continue to influence the quantity and diversity of those organizations today.

One of the earliest factors contributing to American philanthropy and the organizations that reflect it was Hebrew tradition. The Hebrew religion believed in the God Yahweh, who made ethical demands on his people. In return, he was attentive to the needs of humans. The Hebrew people saw themselves as moral teachers for humanity, believing that God had disclosed his law to them (as in the Ten Commandments). Central to Hebrew belief, as reflected in the Torah and the Old Testament Bible was the theme of justice, which included caring for those who were poor, weak, or oppressed. The biblical belief became codified in laws.

In the Christian tradition, Jesus said the way to true meaning was moral purity—which found expression in the love of one's fellows, which is the definition of *philan thropy*. Christianity thus preached active love and compassion for those who suffer. Christianity offered a sense of meaning to people when neither philosophy nor the here-and-now offered them much; as such, it appealed to people who were poor, uneducated, oppressed—and to those who sought to help those less fortunate.

Consider the difference in the way society was organized in these major time eras in Europe, before the United States became a sovereign entity:

- In preliterate society, the family the clan, the relatives took care of their own. Giving was in the nature of reciprocity: You help us in our time of trouble, and we will do the same for you some time.
- Prior to the Middle Ages, support for the needy continued to come from family, friends, and patrons (such as the Medicis). Philanthropy was largely charity and mainly came from the church.
- With the Middle Ages, three factors the growth in population, the plague, and the emergence of cities outstripped the church's ability to help and led to the need for government intervention. As we moved from an agricultural, family based, localized society to an industrial, urban, geographically dispersed society, the way in which people took care of one another changed dramatically. If we no longer lived with family, who took care of us when we were sick? Who taught us? Who monitored our behavior? The answer became: *societal institutions*.

Philanthropy in the United States

Philanthropy in the United States is said to have begun in 1641, when three clergymen went from Boston to London in search of funding for Harvard University. Harvard was one of many schools started by a church that were moving toward a more secular teaching philosophy. That meant a different kind of organization, with a different funding stream.

Another among the first major institutions launched by philanthropy was established in 1835, when James Smithson contributed a half million dollars in his bequest. A congressional debate ensued over the legality of charitable trusts. When the Smithson bequest was accepted and the Smithsonian Institution established, what came with it was the tradition of public philanthropy—the use of private funds for public purposes through public instrumentalities. The United States was acknowledging that nonprofits, with their unique characteristics and unique tax status, were formally becoming part of the American landscape.

Support of nonprofit hospitals and educational institutions contributed to the belief that nonprofit organizations were a logical way to address social and community needs. Individuals of great wealth (e.g., Andrew Carnegie) established permanent mechanisms to give away their wealth.

Some Relevant Legislation in the United States

- 1913: The Revenue Act of 1913 (created following implementation of income taxes) provides tax exemption for organizations "operated exclusively for religious, charitable, scientific, or education purposes."
- 1917: Congress passes a law allowing tax deductions for charitable contributions.
- 1954: The Internal Revenue Service (IRS) codifies tax exempt organizations, creating "501" status.
- 1969: Tax Reform Act establishes rules for defining the private (grantmaking) foundation and hence all other nonprofits, which were referred to as "not a private foundation."

American Philanthropy Personified: Andrew Carnegie

Andrew Carnegie is a classic example of American philanthropy. In no small measure, it is because of people like Carnegie that the United States has such a plethora of organizations committed to the public good. Carnegie was born in Scotland and came to the United States in 1848 at the age of 13. His skill as a telegrapher caught the attention of executives with the Pennsylvania Railroad, where he began to rise through the ranks before age 20. After the Civil War, he turned to the iron industry. In 1873, he invested his entire assets in the first U.S. steel mills. Twenty years later, he was one of the wealthiest persons in world.

What is noteworthy is what came next: In 1901, Carnegie gave up his business for philanthropy. In the next 18 years, he gave away some $350 million (in 1900 dollars). The grantmaking foundation that he established is vibrant today. It and others like it, including the Rockefeller Foundation, set the bar for what we should expect of ourselves. Life was not just about making money. It was also about making a difference (Brinkley, 1995).

A Nation of Joiners

In 1821, Alexis de Tocqueville and a close friend and colleague were sent to the United States by the French monarchy, ostensibly to study the U.S. prison system and penology in general. Tocqueville spent the better part of a year in the United States. His scope of research expanded dramatically, with the result being a two-volume exploration of the American way of life titled *Democracy in America* (2006; quotations from pp. 593 and following). Tocqueville was a keen observer, and one of the phenomena that he observed was the American penchant for forming and joining associations.

> In no country in the world has the principle of association been more successfully used, or more unsparingly applied to a multitude of different objects, than in America. Besides the permanent associations which are established by law under the names of townships, cities, and counties, a vast number of

> others are formed and maintained by the agency of private individuals.
>
> If a stoppage occurs in a thoroughfare, and the circulation of the public is hindered, the neighbors immediately constitute a deliberative body; and this extemporaneous assembly gives rise to an executive power which remedies the inconvenience before anybody has thought of recurring to an authority superior to that of the persons immediately concerned. If the public pleasures are concerned, an association is formed to provide for the splendor and the regularity of the entertainment. Societies are formed to resist enemies which are exclusively of a moral nature, and to diminish the vice of intemperance: in the United States associations are established to promote public order, commerce, industry, morality, and religion; for there is no end which the human will, seconded by the collective exertions of individuals, despairs of attaining.
>
> An association unites the efforts of minds which have a tendency to diverge in one single channel, and urges them vigorously towards one single end which it points out.
>
> The second degree in the right of association is the power of meeting. When an association is allowed to establish centres of action at certain important points in the country, its activity is increased and its influence extended. Men have the opportunity of seeing each other; means of execution are more readily combined, and opinions are maintained with a degree of warmth and energy which written language cannot approach.
>
> Americans of all ages, all conditions, and all dispositions, constantly form associations. They have not only commercial and manufacturing companies, in which all take part, but associations of a thousand other kinds religious, moral, serious, futile, extensive or restricted, enormous or diminutive. The Americans make associations to give entertainments, to found establishments for education, to build inns, to construct churches, to diffuse books, to send missionaries to the antipodes; and in this manner they found hospitals, prisons, and schools. If it be proposed to advance some truth, or to foster some feeling by the encouragement of a great example, they form a society.

Tocqueville goes on to distinguish Americans from the English: "The English often perform great things singly; whereas the Americans form associations for the smallest undertakings." Tocqueville links this passion for associations with Americans' passion for democracy:

> Thus the most democratic country on the face of the earth is that in which men have in our time carried to the highest perfection the art of pursuing in common the object of their common desires, and have applied this new science to the greatest number of purposes.

Associations are not only a way to get things done; they provide a sense of belonging:

> As soon as several of the inhabitants of the United States have taken up an opinion or a feeling that they wish to promote in the world, they look out for mutual assistance; and as soon as they have found each other out, they combine. From that moment they are no longer isolated men, but a power seen from afar, whose actions serve for an example, and whose language is listened to.

A Day in the Life of a "Joiner"

Sara Stone is a development officer for a nonprofit arts organization called The Arts Project in Bethesda, Maryland, just outside Washington, D.C. As an undergraduate at Colgate University, Sara was a member of a popular sorority, a member of the college's art's council, and an officer in Colgate's Figure Skating Club. Sara had no real background in fundraising when she went to work at the arts organization, but soon after joining The Arts Project, she earned a master's degree in nonprofit management from the University of Maryland, University College. She has recently joined the Washington, D.C., chapter of the Association of Fundraising Professionals. The chapter, which has more than 700 members, offers monthly educational luncheon seminars and a large annual conference that draws attendance from across the nation. The chapter is, in turn, part of the national Association of Fundraising Professionals, housed in northern Virginia, which has more than 30,000 members nationally and internationally.

Sara recently became active in Colgate's local alumni club, where as a volunteer she manages the club's intranet mailings. She also volunteers for the Susan G. Komen Race for the Cure. Sara is interested in working for the grantmaking aspect of nonprofits. She has made contact with the Washington Regional Association of Grantmakers. According to its website, WRAG "promotes and supports effective, strategic, and efficient charitable investment in the Greater Washington region." Its members "include independent foundations, community foundations, operating foundations, charitable trusts, corporate foundations, and corporate giving programs."

When Sara talked with the WRAG executive director, she learned that the Washington Regional Association of Grantmakers belongs to two organizations of grantmakers. One is the Forum of Regional Associations of Grantmakers (www.givingforum.org). The "Giving Forum," as it is known, has regional association members in every state and, in some larger states, several member associations. Sara, who is in her late 20s, learned that the number and scope of grantmaking organizations has grown enormously since she was born: Over the last 25 years, the field of philanthropy has grown from 22,000 foundations in 1980 to more than 71,000 foundations today. In addition to providing educational programs and technical support to its regional members, the Giving Forum has recently focused on encouraging new, younger people who become involved in philanthropy. One strategy is forming "giving circles," which are composed of groups of people who combine their money and decide where to donate it. By pooling their donor resources, giving circles are able to target causes of interest to the circle members and have a greater impact than they would individually.

The WRAG also belongs to a national association of grantmakers called the Council on Foundations (www.cof.org). The council is located in northern Virginia, so rather than attempt a visit, Sara went to the Council's website, where she learned that the council represents funders whose assets collectively total more than $300 billion. The council represents community foundations, corporate grantmakers, family philanthropy, global philanthropy, and independent (grantmaking) foundations.

As is the case with many such associations, the council has a robust ethics program that addresses the importance of *transparency* (making programs visible to the public), *stewardship* (managing resources to maximize their philanthropic purposes and minimize any private gain); and *diversity and inclusiveness* (to reflect the communities where member organizations are located and to ensure that their funding reflects a range of viewpoints to serve the common good).

The executive director of the Washington Regional Association of Grantmakers told Sara about a national organization, composed of both grantmakers and grantseekers, that is just a few blocks from WRAG's headquarters. The organization is known as Independent Sector (www.independentsector.org), which is one of the terms applied to the segment of American society dedicated to philanthropy (other terms being the third sector, voluntary organizations, and social enterprise). Independent Sector describes itself as

> [the] leadership forum for charities, foundations, and corporate giving programs committed to advancing the common good in America and around the world. . . . [Its] nonpartisan coalition of approximately 600 organizations leads, strengthens, and mobilizes the charitable community in order to fulfill [Independent Sector's] vision of a just and inclusive society and a healthy democracy of active citizens, effective institutions, and vibrant communities.

Independent Sector has a strong commitment to ethics, diversity and inclusiveness, and transparency, like other grantmaking and grantseeking associations. What makes Independent Sector unique, as Sara learned, is that it serves as a meeting ground for the leaders of America's charitable (grantseeking) and philanthropic organizations. This "meeting ground" concept occurs primarily at the Independent Sector's annual conference. In addition, members—both grantseekers and grantmakers—are involved in developing and promoting policies and addressing issues of common interest (such as the potential for increased government regulation).

In many ways, Sara learned, organizations such as Independent Sector echo what Tocqueville found nearly 180 years ago. Were he alive today, Tocqueville might well appreciate Independent Sector's mission ("To advance the common good by leading, strengthening, and mobilizing the charitable community") and vision ("a just and inclusive society and a healthy democracy of active citizens, effective institutions, and vibrant communities").

In one rather busy day, Sara learned what few people know, and that is how pervasive and how valuable membership associations are to the "common good" in American society.

Types and Descriptions of Nonprofit Membership Organizations

Tax exemption is one unifying characteristic of many organizations within the nonprofit sector. Section 501(c) of the U.S. Internal Revenue Code lists 26 types of nonprofit organizations that are exempt from some federal income taxes. Probably the best known of the 501(c) organizations are categorized under 501(c)(3)—organizations that are eligible for tax-deductible contributions. These nonprofits, in general, exist, for religious, educational, charitable, or scientific purposes.

Membership organizations fall under several other 501(c) categories, including the following:

- 501(c)(4) civic leagues, social welfare organizations, and local associations of employees
- 501(c)(5) labor, agricultural, and horticultural organizations
- 501(c)(6) business leagues, chambers of commerce, real estate boards, etc.
- 501(c)(7) social and recreational clubs
- 501(c)(8) fraternal beneficiary societies and associations
- 501(c)(9) voluntary employees beneficiary associations
- 501(c)(10) domestic fraternal societies and associations

Under IRS rules, all 501(c) organizations are subject to tax only on what is known as *unrelated business income*, any income that is not specifically related to the purpose for which the nonprofit achieved its tax status. The Washington, D.C., chapter of the Association of Fundraising Professionals raises much of its budget from an annual conference. The income from that event would not be considered taxable. But if the chapter elected to hold bingo parties or run a golf tournament, the income received would be subject to tax.

What we think of as associations—including Sara's examples of the Washington Regional Association of Grantmakers, the Council on Foundations, the Forum of Regional Associations of Grantmakers, the Association of Fundraising Professionals, and Independent Sector—are all 501(c) organizations.

Community Foundations

Community foundations are tax-exempt public charities composed of individuals and organizations who share a commitment to improving the quality of life in their area. Community foundations provide a way for individuals, families, businesses, and organizations to create permanent charitable funds without having to actually manage those funds on a day-to-day basis. The community foundation invests and administers these funds.

Because they are considered public charities, community foundations may engage in fundraising, and donations to community foundations are tax deductible as they would be for any 501(c)(3) organization.

In the United States, community foundations administer more than $31 billion in charitable funds and serve nearly 700 communities and regions.

American Society of Association Executives

As might be expected from a nation of joiners, even associations have their own membership associations. The largest of these is the American Society of Association Executives (ASAE; www.asaecenter.org) and the Center for Association Leadership. ASAE is a membership organization of more than 22,000 members, including association CEOs, senior staff, industry partners (e.g., members of the hotel and hospitality industry), and consultants. Together with the Center for Association Leadership, ASAE serves about 10,000 associations representing more than 287 million people and organizations worldwide.

As Independent Sector sees itself as the principal voice for grantmakers and grantseekers, ASAE positions itself as the principal voice for the association community. Together with the Center for Association Leadership, ASAE offers numerous educational programs each year, produces two publications—*Associations Now Magazine* and the *Journal of Association Leadership*, and provides its members and others with future-focused and market-focused research. ASAE is itself organized into professional interest sections, among them communication, executive management, finance, and business operations.

Association Foundation Group

The tax status that most associations hold—501(c)(6)—does not allow donors to deduct their contributions from taxes. For that reason, about 40% of American associations have affiliated 501(c)(3) entities connected with them. Usually referred to as *association foundations,* these entities exist to complement the mission of the association, which is to serve its members, with a broader societal focus. The Association Foundation Group (www.afgnet.org) provides monthly educational sessions and an annual national conference; it also offers technical assistance to its members and the public.

The National Council of Nonprofits

The National Council of Nonprofits (www.councilofnonprofits.org) is a network of state and regional nonprofit associations, which provides services to more than 20,000 member organizations. The purpose of the National Council is to link local nonprofit organizations across the nation by means of state associations. The National Council sees as its purpose helping small and mid-size nonprofits manage and lead more effectively, collaborate with one another, and collectively engage in the discussion of important policy issues affecting the sector.

The National Council's vision is reflective of the goals that are common to much of the nonprofit sector: "To create a better place for people to live—one that is socially just and equal—and serve as a vehicle for improving lives and communities." Its mission is just as clear about the focus on the common good and the benefits of membership organizations: "The National Council of Nonprofits advances the vital role and capacity of the nonprofit sector in civil society and supports and gives voice to state and regional associations of nonprofit organizations."

In terms of the programs that it offers to its members and others, The National Council provides technical help through direct requests for assistance and web and audio conferencing. It also serves as a clearinghouse for information on state associations and the nonprofit sector; it publishes *What You Need to Know*, a member e-newsletter, and *Nonprofit Policy News*, a policy e-newsletter. The National Council also conducts research, resulting in publications such as the *United States Nonprofit Sector* report, a member mapping survey, and *State of the Sector* reports.

Council for the Advancement and Support of Education

The Council for the Advancement and Support of Education (CASE; www.case.org) is a professional association serving educational institutions and development (fundraising) professionals who work in college and university alumni relations, communications, development, marketing, and related areas. Its membership includes nearly 3,400 colleges and universities, primary and secondary independent (private) and international schools, and nonprofit organizations in 59 countries. Through its membership, it serves more than 60,000 development officers on the staffs of member institutions.

CASE offers a wide variety of publications and other products, including fundraising-related books, audiotapes from CASE conferences, *CURRENTS* magazine, and white papers and reports on the field of fundraising in education.

Association for Healthcare Philanthropy

The Association for Healthcare Philanthropy (AHP; www.ahp.org) is an international membership organization that encourages charity and undertakes fundraising in North American health care organizations. Its 5,000 or so members represent more than 2,200 health care facilities in the United States and Canada. Among the health care organizations served by AHP members are community and private hospitals, medical centers, children's hospitals, teaching hospitals, long-term care facilities, hospices, and specialty hospitals.

AHP provides its members and others with education, networking, information, and research in health care philanthropy.

State Associations

Nationwide, state associations serve an estimated 20,000 members and other nonprofits. As is the case with national associations, state associations represent the spectrum of charitable organizations in their work with state, national, and local nonprofit partners. State associations engage in advocacy and advancement of public policy; they also provide management and professional development training workshops in areas such as fundraising, nonprofit governance, financial management, and technology. Some state associations take advantage of the collective buying power of their members to negotiate lower prices on office products. In addition, many state associations offer member discounts in health care coverage, directors' and officers' liability insurance, and publications.

Sara Stone belongs to Maryland Nonprofits, one of the largest state associations for nonprofits, with more than 1,700 nonprofit organization members, as well as 400 associate members, most of which provide products and services to nonprofits. The Maryland Nonprofit's mission is "to strengthen and support nonprofits' ability to serve the public, while promoting the highest standards of ethics and accountability in nonprofit governance and management."

Reflecting its commitment to advancing the nonprofit sector, and in a state that stretches 12,407 square miles, Maryland Nonprofits offers a wide range of programs online, including a program leading to a certificate in nonprofit management.

One of Maryland Nonprofits's programs is the Standards for Excellence initiative. The program, launched in 1998, is dedicated to promoting the highest standards of ethics and accountability in nonprofit governance, management, and operations. The centerpiece for the program is a code of ethics, the Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector. Maryland Nonprofits supports nonprofits' efforts to live by the code in its comprehensive educational programming and a voluntary accreditation program. Maryland Nonprofits has achieved national recognition for the Standards for Excellence® program and has distributed the Standards for Excellence code and related materials nationwide. In response to demand from capacity-building organizations around the country, Maryland Nonprofits has launched its Standards for Excellence Institute, which works to strengthen nonprofits using the Standards for Excellence program around the nation. Today, the Standards for Excellence program is offered under the auspices of the association's Standards for Excellence Institute and through licensed replication partners working with nonprofits in states like Louisiana, Ohio, Pennsylvania, Oklahoma, West Virginia, Delaware, and also in the Pike's Peak region of Colorado, and with nonprofits affiliated with national partners The Arc of the United States and the National Leadership Roundtable on Church Management.

Standards for Excellence—Guiding Principles

Mission and Program

Nonprofits are founded for the public good and operate to accomplish a stated purpose through specific program activities. A nonprofit should have a well-defined mission, and its programs should effectively and efficiently work toward achieving that mission. Nonprofits have an obligation to ensure program effectiveness and to devote the resources of the organization to achieving its stated purpose.

Governing Body

Nonprofits are governed by an elected, volunteer board of directors that should consist of individuals who are committed to the mission of the organization. An effective nonprofit board should determine the mission of the organization, establish management policies and procedures, assure that adequate human resources (volunteer or paid staff) and financial resources (earned income, government contracts and grants, and charitable contributions) are available, and actively monitor the organization's financial and programmatic performance.

Conflict of Interest

Nonprofit board and staff members should act in the best interest of the organization, rather than in furtherance of personal interests or the interests of third parties. A nonprofit should have policies in place and should

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routinely and systematically implement those policies to prevent actual, potential, or perceived conflicts of interest.

Human Resources

A nonprofit's relationship to its employees and volunteers is fundamental to its ability to achieve its mission. Volunteers occupy a special place in nonprofit organizations, serving in governance, administrative, and programmatic capacities. An organization's human resource policies should address both paid employees and volunteers and should be fair, establish clear expectations, and provide for meaningful and effective performance evaluation.

Financial and Legal

Nonprofits must practice sound financial management and comply with a diverse array of legal and regulatory requirements. A nonprofit's financial system should assure that accurate financial records are kept and that the organization's financial resources are used in furtherance of the organization's charitable purposes. Organizations should conduct periodic reviews to address regulatory and liability concerns.

Openness

Nonprofits are private corporations that operate for public purposes with public support. As such, they should provide the public with information about their mission, program activities, and finances. A nonprofit should also be accessible and responsive to members of the public who express interest in the affairs of the organization.

Fundraising

Charitable fundraising provides an important source of financial support for the work of most nonprofit organizations. An organization's fundraising program should be maintained on a foundation of truthfulness and responsible stewardship. Its fundraising policies should be consistent with its mission, compatible with its organizational capacity, and respectful of the interests of donors and prospective donors.

Public Affairs and Public Policy

Nonprofits provide an important vehicle through which individuals organize and work together to improve their communities. Nonprofits should represent the interests of the people they serve through public education and public policy advocacy, as well as by encouraging board members, staff, volunteers and constituents to participate in the public affairs of the community.

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Funders' Network

The Funders' Network (www.fundersnetwork.org) consists of grantmakers organized around a specific funding topic, geographic location, or issue-based community. The Funders' Network includes small and large private foundations, community foundations, and individual donors. By pooling resources around a common area of interest, the Funders' Network attempts to motivate collective philanthropic leadership and encourage more funders to invest in innovative solutions. Among the areas of focus addressed by members of the network are: African grantmaking, disability, emerging practitioners in philanthropy, environmental issues, rural funding, civic engagement, Hispanic philanthropy, and homelessness.

Society for Nonprofit Organizations

The Society for Nonprofit Organizations (www.snpo.org) is a nonprofit management support organization with 6,000 members. The principal benefit of membership is receipt of *Nonprofit World*, a bimonthly magazine that provides nonprofit staff and volunteers with practical information. Members also have access to a searchable database of articles going back to 1996. Members may also participate in online courses in areas such as strategic planning, resource development (fundraising), governance, volunteer management, and marketing.

Center for Nonprofit Advancement

The Center for Nonprofit Advancement (www.nonprofitadvancement.org) is an example of a local membership association for nonprofits. The center provides training and technical assistance, as well as opportunities to meet and get to know others in philanthropy, government, and the corporate sector.

Foundation Center

Although it is essentially an extensive library and database for grantseekers, the Foundation Center (www.foundationcenter.org) is also a membership organization. The center claims to have the most comprehensive database on U.S. grantmakers and their grants. It conducts and publishes research on trends in foundation growth, giving, and practice and offers educational programs, some at no cost to participants. In addition to its main office in New York City, the Foundation Center has four other regional library/learning centers in Atlanta, Cleveland, San Francisco, and Washington, D.C.; and a national network of more than 400 funding information centers at libraries, nonprofit resource centers, and organizations across the United States and abroad. The center's online database, *Foundation Directory Online*, provides information about more than 95,000 U.S. foundations and corporate donors and nearly 2 million grants.

Giving Institute

The Giving Institute (www.aafrc.org), formerly the American Association of Fundraising Counsel (AAFRC), is a membership organization with 34 members, all of which are engaged in fundraising counsel. The Giving Institute's mission is "to educate and engage members in the ethical delivery of counsel and related services to nonprofits through research, advocacy, and best practices." The Giving Institute is best known for its annual publication on philanthropy titled *Giving USA*. The publication, more than 50 years old, documents who gives what to whom in the United States.

Summary

This chapter has attempted to provide an overview of the breadth and scope of one aspect of the nonprofit sector—membership organizations.

Nonprofit means voluntarism. Voluntarism is more than just volunteering. Voluntarism is a philosophical belief; volunteering is how it plays out. Voluntarism means that we are self-reliant. We do what needs to be done—as individuals, as organizations, as communities. Government plays a role, in part, by allowing for the existence of nonprofits. That is as it ought to be: Government cannot—and should not—provide all of the services that its citizens need. As the Center for the Study of Philanthropy and Voluntarism observes, "Whether or not they are grouped together as a 'sector' of the economy, classified as a mode of behavior or studied as an orientation towards life, philanthropy and voluntary organizations constitute important phenomena that are worth serious attention." We are a nation of "joiners." It is how much gets done to advance the common good.

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8

Leadership in Service Clubs and Benevolent Societies

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Service clubs and benevolent societies offer nonprofit organizations and nonprofit leaders great opportunities for community and philanthropic partnerships. These entities, which see identifying and responding to community needs as an organizational priority, are filled with members who are well-positioned community leaders, all eager to make a positive difference in their communities. By participating in these organizations, nonprofit leaders can help educate community members about a nonprofit's mission and identify new volunteers, donors, and board members. In a sense, the local chapters of many service clubs and benevolent societies serve as local town squares, where members of the business, public, and nonprofit sectors all come together to form relationships and share ideas.

For many citizens, involvement in a service club or benevolent society offers the most expedient means to pursue true civic involvement. Robert Wuthnow (1998), a Princeton University sociologist, suggests that without civic engagement, American citizens relinquish all say in local, state, and national affairs to the few who hold power. He explains, "Civic involvement consists of participation in social activities that either mediate between citizens and government or provide ways for citizens to pursue common objectives with or without the help of government" (p. 7). In this sense, a strong democracy relies on the willingness of its citizens to come together, identify mutual concerns, and develop effective responses to their greatest challenges.

Although the membership data from service clubs and benevolent societies demonstrates a steady decline in participation over the last several decades (Putnam, 2000), the international landscape of these organizations is vast. In the United States alone, nearly 170,000 service clubs and benevolent societies are registered with the Internal Revenue Service (IRS) (National Center for Charitable Statistics, 2010), and the number of current members reaches well into the millions. Organizations such as these can be found quite literally in every city, suburb, township, or village.

The available literature about these organizations uses a variety of loosely defined terms for what are essentially two broad groupings of civic organizations. A few examples of the various terms authors have used include: service clubs, volunteer clubs, mutual aid societies, voluntary associations, benevolent associations, fraternal organizations, and so on.

In this chapter, the term *service club* refers to a membership organization of business men and women who regularly gather for the purpose of pursuing service activities that seek to improve their local community and to network with each other with the goal of strengthening business and social ties. Although local chapter affiliates carry out much of the work of service clubs, a hierarchical structure maintained by a central office ensures that local chapters adhere to the cultural, policy, and financial obligations of their members (Winkle, 1999). Some common examples of service clubs include Rotary, Kiwanis, Professional Employer Organization, Lions, and Optimists.

Conversely, in this chapter, the term *benevolent society* refers to a membership organization with the purpose of meeting the social and religious needs of its members. They generally function under a lodge system, and membership is often exclusive (Hoyt, 1998; Winkle, 1999). Some common examples of benevolent societies include Elks, Moose, Masons, and Shriners.

The intent of this chapter is to offer a broad introduction to service clubs and benevolent societies with an eye toward why they exist and how they help nonprofit organizations succeed in their goals. In doing so, we will explore their historical roots, outline their basic structure, identify their IRS tax-exempt classifications, consider their distinct cultural characteristics, offer examples of their philanthropic endeavors, and describe the process for becoming a member.

Historical Background and Context

Beginning in the late 1800s, the American population was growing rapidly, and citizens were participating in formal education at increasingly higher rates. As the population grew, so did the need for more and better social services. As Americans achieved higher levels of education, they gained a more sophisticated understanding of citizen needs and how to respond to them. These converging conditions led Americans to the realization that if they were going to respond effectively to the new demands of this quickly changing society, they needed a stronger, more effective voice in national civic affairs. They achieved this through forming large, chapter-based civic associations where individuals from across the country could collectively overcome the barriers of distance and isolation, share concerns and frustrations, and mobilize themselves to demand desired governmental and nongovernmental responses. During the early 1900s, participation in civic associations saw a steady and impressive increase in membership. After a slight period of disassociation that came about during the Great Depression, World War II brought on a resurgence of patriotism, and Americans quickly returned in even greater numbers to their participation in civic associations (Putnam, 2000).

Although participation was encouraged through local community-based club chapters, service clubs and benevolent societies organized themselves into tall, hierarchical membership structures. Individuals joined at the local level, and then, in cooperation with the members of chapters in other locations, they put forth a common voice when it came to articulating the issues, concerns, and ideas they were most passionate about. The impetus for establishing these vertical structures was to overcome the communication challenges brought about by the sheer distance between American cities and rural settlements. The strategic intent of the hierarchical structure was to attract as many members in as many locations as possible. By representing great numbers of people over a broad geographical area, civic associations could achieve political clout when it came to advising government officials on policy and social service matters, claiming that all of their members speak with one voice. Later in this chapter, the functional structure of service clubs and benevolent societies will be discussed in greater detail.

Many of these associations were organized by and for men, although a few were organized by women. In the 1950s and 1960s, minority groups, such as immigrants and African Americans, began forming their own associations in a similar manner. As a means to encourage cohesion among members, who were spread across the vast American landscape, associations developed strong cultural identities steeped with tradition and rituals. This was done so that if one were to visit multiple local chapters of the same association, a sense of familiarity and sameness would be recognizable at each, further reinforcing the sense of membership and belonging. Although active civic participation through formal associations is still considered a unique attribute of American cultural identity, many of these associations expanded internationally into Canada, Europe, and eventually Asia and elsewhere (Putnam, 2000).

Declining Participation

It is well noted in today's literature on civic participation that Americans no longer engage each other through formal associations in quite the same way as they traditionally have (Putnam, 2000; Wuthnow, 1998). Throughout the last few decades, a new understanding of patriotism, community service, and civic engagement has evolved. There is concern among older generations of service club and benevolent society members that the notion of earnest community involvement that drove them to participation is not translating down to younger generations: "Younger generations seem unable to fit traditional community service groups into their lifestyles and jobs" (Wuthnow, 1998, p. 13).

At the local level, in particular, connectedness among community members in today's society is very different than it was at the turn of the 20th century. Public opinion polls, the Internet, social networking, mass communication devices, and nonprofit advocacy groups have changed how the needs and priorities of citizens are communicated. As a result, it is no longer the group with the most members that achieves the loudest voice; instead, the group that succeeds is the one that can best leverage the wide variety of available communication channels. For service clubs and benevolent societies, this suggests that the associations most willing to recognize and respond to societal change by reinventing how they foster relationships among their members are the ones that will survive in the years to come (Wuthnow, 1998).

Yet, despite the general decline in civic participation, many of these organizations remain strong. Service clubs, in particular, frequently serve as a community's town square, where issues and needs are identified and community members are mobilized to respond. What this means is that despite the complicated landscape of communication devices and competing demands for time, people are still people; fearing isolation, they desire a connection to others in their community. They all recognize society's challenges and genuinely wish for a better life for their children, families, friends, and neighbors. Essentially, civic associations can and do still provide the means to fulfill these goals. However, to succeed in today's more complicated society, they must encourage informal relationships among their members—the loose connections, so to speak—while reinforcing the vertical hierarchy, or formal connections, if they are to effectively represent a broad and diverse constituency (Wuthnow, 1998).

Herein lies the opportunity for nonprofit leaders and organizations. A great distrust in government's ability to respond to citizen needs pervades today's American political thought. Through civic connectedness, that trust, particularly at the local level, can be cultivated and reinforced. Members of civic associations join out of a desire to meet one another, learn from each other, strengthen business ties, recognize community needs, and find opportunities to make a difference. Nonprofit leaders who recognize and act on the opportunity to participate in civic associations, assume leadership roles, and help association members succeed in fulfilling their goals will help further their own organizations' missions, gather much needed support, and potentially realize results that would otherwise not be achievable alone.

Organizational Structure

Although the most recognizable presence of service clubs and benevolent societies is found at the local chapter level, all local affiliates belong to a vast national or international network of other local chapters. The largest service clubs and benevolent societies involve hundreds of thousands to millions of members, each belonging to one local chapter or another. As with any club or organization, maintaining culture, rituals and historical legacies are critical components of their survival strategies. In other words, without reinforcing cohesion among their members, service clubs and benevolent societies have little reason to remain intact. Therefore, large hierarchical structures, overseen by national or international governing bodies, have been established with strict guidelines and reporting procedures for their numerous local chapters. These governing bodies are professionally staffed, frequently by long-standing members. They geographically subdivide their local chapters by states, regions, or districts.

The core funding of the international system comes from member dues. The dues, paid at the local level, trickle up the hierarchical system. Each local chapter retains a portion of a member's dues and sends the remaining funds to the state or district headquarters, which will retain a portion for operating expenses, sending the balance to the international governing body. In return, club policies, manuals, membership memorabilia, public relations and marketing materials, and charitable directives trickle back down the system to the local chapters. Despite this clearly delineated hierarchy, local chapters retain their own unique identity and culture and pursue their own charitable endeavors. Frequently, small groupings of local chapters will collaborate with each other on various marketing or charitable activities as a means to pool resources, raise local awareness, and encourage new memberships.

At various points throughout the year, district, national, and international conventions are held. Chapters will elect representatives to attend these events. At these conventions, club rituals and purposes are reinforced, local chapter representatives learn from each other, new leadership positions are filled, and broad goals and objectives for the international club are identified.

An example of this hierarchical structure and its network of local chapters can be found within the International Chapter P.E.O. (Philanthropic Educational Organization) Sisterhood, commonly referred to as P.E.O (http://www.peointernational.org). Headquartered in Des Moines, Iowa, this organization was founded in 1869 as a membership organization for women with the purpose of encouraging educational attainment and achievement. Today, the organization claims almost 250,000 members who participate in local chapters throughout the United States and Canada. Each local chapter reports to a state chapter, and each state chapter reports to the international governing body. The international entity provides members with opportunities to apply for a variety of educational grants and scholarships, and it owns and operates Cottey College, a women's liberal arts school in Missouri. At the local level, chapters will design and implement their own programs that offer educational opportunities and grants for women in their local communities.

Tax-Exempt Status and Tax-Deductible Gifts

The IRS provides three different tax-exempt classifications for service clubs and benevolent societies. All three classifications fall under the IRS section of 501(c) tax-exempt organizations. To be eligible for tax-exempt status under the 501(c) classification, an organization must operate for the purpose of providing social benefits to the public or mutual benefits to its members (Hoyt, 1998). Among the 25 different types of 501(c) organizations, only 3 generally relate to service clubs and benevolent societies: 501(c)(4), 501(c)(8), and 501(c)(10).

Service clubs fall under the IRS classification 501(c)(4). These organizations are considered social welfare entities that "promote general welfare of a community by bringing about civic betterments and social improvements" (Hoyt, 1998, p. 149). Examples of 501(c)(4) organizations include Rotary International, Lions Club International, Optimist International, and International Chapter P.E.O. Sisterhood.

Benevolent societies are grouped into two different IRS classifications, 501(c)(8) and 501(c)(10). 501(c)(8) organizations are fraternal benefit societies, orders, or associations, operating under a lodge system. These entities are unique in that they extend financial benefits to members and their dependents for life, sickness, accident, or other financial needs (Hoyt, 1998, p. 150). Common examples are the Benevolent and Protective Order of Elks of the USA, Sons of Norway, Knights of Columbus, Moose International, and Fraternal Order of Police. Similarly, 501(c)(10) organizations are fraternal, sorority, or domestic societies that operate under a lodge system. Net earnings are devoted to religious, charitable, scientific, literary, educational, and fraternal purposes. No financial benefits, such as life or health insurance, are provided for members (Hoyt, 1998, p. 150). Common examples of this type of entity are Masonic Lodges, the Fraternal Order of Eagles, and Shriners International.

Although the clubs are classified as tax-exempt organizations, members cannot claim club dues and fees as charitable contributions on their income tax returns. Only organizations classified by the IRS as 501(c)(3) are eligible to receive tax-deductible contributions. Therefore, as a means to further their charitable endeavors, most service clubs and benevolent societies establish separate entities that qualify under the IRS 501(c)(3) ruling. By establishing a separate 501(c)(3), service clubs and benevolent societies can benefit from further financial support from their members. Members are encouraged to make contributions to the 501(c)(3) organization, which they can report on their tax returns for deductions.

Generally, the affiliated 501(c)(3) entity is established as a foundation or endowment. This means that the entity retains a pool of invested funds and annually distributes a percentage of the annual investment earnings for charitable purposes. In the eyes of the IRS, the affiliated foundation is a completely separate legal entity, with its own mission and governing board of trustees. The board of trustees is composed of club members who have demonstrated leadership and commitment to the club.

An example of a service club with an affiliated 501(c)(3) foundation is Kiwanis International. Now headquartered in Indianapolis, Indiana, Kiwanis (http://kif.kiwanis.org) was founded in Detroit, Michigan, in 1915 as a service club for businessmen. Although the original intention was to offer its members business networking opportunities, individual chapters took on service-oriented initiatives aimed at helping poor residents in their communities. Later, Kiwanis International decided to formalize its charitable service endeavors by targeting aid and assistance to programs that help poor children. In 1939, to further its charitable service goals, the club established the Kiwanis International Foundation with the mission "to assist Kiwanis International in serving the children of the world." In 2008, the foundation ended its fiscal year with more than $10 million in assets and made nearly $300,000 in direct grants to nonprofit organizations serving children.

Cultural Characteristics

Describing the different IRS classifications that are applied to service clubs and benevolent societies is helpful when it comes to understanding their core functional attributes. Yet, function alone does not fully explain their distinct cultural characteristics, particularly in terms of how they engage their members. Fully exploring the cultural characteristics of service clubs and benevolent societies presents a bit of a challenge, as each individual club and society has its own unique personality, character, rituals, and behavior. Therefore, the intent of this section is to provide a basic overview for how these organizations create their own unique culture, particularly in terms of how they foster relationships among their members.

Service Club Culture

Because of their orientation to business and civic leaders, service clubs are perhaps the easiest for outsiders to understand. For an outsider who attends a club meeting for the first time, the experience will appear like nothing more than an average gathering of business men and women. This rather conventional approach to club meetings ensures that a diverse group of individuals can all come together and feel comfortable in the setting. Although most service clubs were founded as strictly male organizations, the societal demands of equity and inclusion have changed these attitudes over time; beginning in the 1970s, service clubs opened their memberships to women, and today, they seek to grow by increasing ethnic minority representation. This willingness to adapt to societal change, although not always immediately welcomed by older members, is likely the reason many service clubs are still in existence (Wuthnow, 1998).

A sense of belonging and camaraderie is a key cultural aspect of service clubs; this characteristic is encouraged through the informal relationships that develop among members. Some key aspects of club behavior foster these cordial relationships. For example, the frequency of meetings, often weekly and over a meal, keeps members in regular contact. Likewise, the collective feeling of pride that results when members together successfully complete a local service project is another way that camaraderie is reinforced. Members are encouraged to become well acquainted with each other, often forming lifelong bonds and friendships. For many who join, networking for business purposes is a key interest. For-profit business leaders join as a way to express corporate citizenship and identify potential customers. Elected officials join as a way to stay in close contact with key constituents. Nonprofit leaders choose membership as an opportunity to spread the word about their missions.

Although club rituals are not as prevalent among service clubs as they are in benevolent societies, certain ceremonial procedures are exercised at every formal club gathering. Generally, these are nothing more than offering a nondenominational prayer, reciting the Pledge of Allegiance, or singing a song. While younger and newer members may see these rituals as peculiar or unnecessary, when performed routinely, they serve to focus members' attention, signal the official beginning of a meeting, and encourage cohesiveness in an otherwise diverse mix of individuals.

Over time, service clubs have developed mechanisms that strengthen the culture and contribute to their ongoing existence. For instance, leadership roles, such as board positions or committee chairs, are rotated with frequency as a way to strengthen the depth of skill and ability among members. This strategy ensures that when active members depart from the club, other members are prepared to step into their places. Much of the work of service clubs actually takes place outside of their regular meetings. Numerous committees are formed either to operate certain aspects of club management, such as membership or marketing committees, or to facilitate the club's community service projects. For many clubs, service on a committee is highly encouraged, if not required. Club leaders will help new members identify a committee that meets their skills and interests, but they also seek to rotate committee assignments so that members have the greatest chance to meet each other and build as many personal relationships within the club as possible. Frequently, chapters will hire professional staff who maintain member communications and manage the more mundane administrative tasks. This is particularly true in larger chapters with hundreds of members. By relieving members of these responsibilities, service clubs can keep members enthusiastic about membership and committee service (Wuthnow, 1998).

In a time when society is more mobile, traditional work arrangements have been dramatically redefined, and communities interact on the Internet as much as they do in person, service clubs struggle to find a balance between these changes in human behavior and their core traditions, particularly the frequency of regular club meetings and the expectations for time-demanding committee service. Smaller chapters, in particular, tend to rely on every member to take on a key aspect of club service. While most club chapters still abide by their core traditions, others have made some slight changes in the hopes of retaining member interest and enthusiasm. A popular change among many chapters has been to lower attendance expectations. In a few cases, club chapters have moved to two regular meetings per month, rather than four. Others have started conducting certain committee meetings over the phone or Internet (Wuthnow, 1998).

Benevolent Society Culture

The cultural characteristics of benevolent societies are distinctly different from service clubs. Whereas service clubs see strength in the diversity among their members, benevolent societies seek to build community among individuals who all have something in common, such as a religious tradition, an ethnic heritage, or a profession. For instance, the Sons of Norway's purpose is to encourage social connections among families who trace their ethnic heritage to the country of Norway; the Knights of Columbus was born out of the Catholic tradition; and the Fraternal Order of Police is a community of individuals who are all sworn law enforcement officers. Because of the shared experience among members of benevolent societies, families often see membership as an aspect of their own traditions and encourage younger generations to continue the family legacy by joining the society when they come of age. Although benevolent societies do welcome new members, they do so with great care. Society elders will interview a prospective member, screening him or her carefully to ensure the individual is an appropriate fit.

Within these organizations, ritual, heritage, history, and rites of passage have developed over decades and are passed on, with great intentionality, from one generation to the next. The formal ritualistic nature of society behavior serves to instill tight bonds among members while creating a literal barrier between those who are members and those who are not. As with service clubs, the camaraderie and informal relationships that develop among members are important factors to benevolent societies; however, the formality of society behavior and the shroud of secrecy that is a part of most benevolent societies serves as a mechanism to ensure group cohesion in a way that is simply not present among service clubs. Becoming aware of the society's secrets is a rite of passage for new members; telling outsiders about these secrets is strictly forbidden. As a result, outsiders often look at these organizations with great skepticism. For instance, rumors about the secret traditions of Masons and Shriners have led these organizations to be the subject of endless criticism and speculation about what they do behind closed doors.

Another cultural trait that is common among benevolent societies is a tall organizational hierarchy, with multiple levels of membership. Years of service and the successful performance of certain duties is generally the pathway many members take as they climb the ranks of society membership. While little is known about what benefits members receive as they reach higher levels of service, status, prestige, and respect appear to be important goals for lifelong members. It is evident that this progression of membership levels is used as an additional mechanism for retaining member enthusiasm and ensuring group cohesion.

Unlike service clubs, which have sought to create easy pathways to membership as a mechanism for ensuring their survival, benevolent societies have taken an opposite approach. They use their strict culture and barriers to membership as a mechanism for keeping current members active and loyal. This strict approach to member relations has not helped these organizations grow over time. In fact, for some, their mere survival is at risk. Although today their memberships still remain in the hundreds of thousands, even millions, the unwillingness to adapt to societal change has generally brought about more hardship than success for benevolent societies.

International Service

Philanthropically, service clubs and benevolent societies have made significant contributions to our society, nation, and world. At the national and international levels, all service clubs and benevolent societies report some impressive service-related successes. They have achieved these successes by mobilizing all of their members to collectively make an impact in one targeted area of service. For example, Rotary International has made it a priority to eradicate the world of poliovirus. Similarly, Shriners International, through its Shriners Hospitals for Children, was an early pioneer in pediatric health care, and its impact in this area continues today.

Rotary International and Polio Eradication

In 1987, Rotary International, through its charitable affiliate, the Rotary Foundation, announced as its global service priority a plan to play a leading, significant role in eradicating polio worldwide. In doing so, it launched an international campaign to raise $120 million. By 1988, one year later, Rotary surpassed its $120 million goal by contributing an initial $247 million to the effort. Rotary's leadership in the global effort to eradicate polio is considered the defining moment that inspired a worldwide philanthropic initiative, calling to action numerous other donors, nongovernmental groups, governments, and world health authorities. Jointly, these parties created the Global Polio Eradication Initiative (GPEI; http://www.polioeradication.org), a joint project of the World Health Organization, U.S. Centers for Disease Control and Prevention, UNICEF, Rotary International, and numerous national governments. Thanks to Rotary's leadership, GPEI is considered the largest single internationally coordinated public health project in the world's history.

Today, responding to large challenge grants made by the Bill & Melinda Gates Foundation, The Rotary Foundation (http://www.rotary.org) reports that its contributions to polio eradication are approaching $1.2 billion, with more than 1.2 million Rotary members contributing to the cause. Globally, the effort has raised more than $6.17 billion (Brown, 2009), and world health experts report that more than 2 billion children in 122 countries have successfully received polio protection.

Shriners International and Shriners Hospitals for Children

Shriners International (http://www.shrinershq.org) was born out of the Masonic movement in the late 1800s. It formed as a fraternity of Masons who had achieved the Master Mason status of the Freemasonry Fraternity. Although socializing and networking were the original motivations behind the formation of Shriners International, the pursuit of philanthropic endeavors was always a priority of the group. Through the early 1900s, each local chapter of Shriners engaged in its own individual acts of charity, frequently offering financial support to the victims of natural disasters. In 1919, a Philadelphian Shriner, Freeland Kendrick, who had just been elected as imperial potentate, the highest achievable Shrine position, sought to identify a single cause that all members of the organization could rally behind. During a national campaign, he told Shriners, "While we have spent money for songs and spent money for bands, it's time for the Shrine to spend money on humanity." As a result, Shriners agreed to formalize their philanthropy and directed their efforts towards pediatric health care. In 1922, the organization established the first Shriners Hospital for Children in Shreveport, Louisiana. At the time, the focus was on orthopedic care to respond to some of the more serious conditions of the time, such as clubfoot. In doing so, Shriners Hospitals for Children made historic advances in surgical procedures and leg braces. Initially, access to care was intended specifically for children of families who could not otherwise afford to pay for the care.

Today, Shriners Hospitals for Children have more than 22 locations spread throughout the United States, Canada, and Mexico. Through the support of its 411,000 members, the organization reports that more than 835,000 children have received care through the health care system, all at no cost to their families. Now, the only criterion for a child to be admitted to a Shriners Hospital is that a physician's referral must indicate that a reasonable possibility exists the child could benefit from the care. This means that family income is no longer an aspect of hospital admission eligibility. The range of services now offered goes beyond orthopedic care and includes burn care, spinal cord injury rehabilitation, cleft lip and palate care, medical research, and physician education.

Local Service

Aside from the collective philanthropic priorities of service clubs and benevolent societies, local chapters all take on their own service initiatives directed at improving the quality of life in their immediate communities. On this front, the service activities of local chapters are broad and diverse. The members of local chapters, as leaders in their communities, work hard to identify local needs and organize themselves to make a positive difference. These organizations engage in a wide array of local service projects, from helping local social service nonprofit organizations achieve their goals to the direct delivery of food and emergency aid to poor and needy families. The stories that local chapters tell of their impact are each special and serve as an ongoing source of pride and enthusiasm among their members. Two examples, one from the Michigan district of Kiwanis International and another from a Lions Clubs International chapter in Prescott, Arizona, are offered to demonstrate how these organizations seek to better their own communities, particularly in times of need.

Michigan Kiwanis Clubs and Kids Against Hunger

In April 2009, as a part of Kiwanis One Day, an international day of service facilitated by Kiwanis International, members of Michigan's Kiwanis clubs joined together to assemble healthy meal packets for the state's growing number of needy families. The volunteers assembled ready-to-cook recipes of rice, soy, dried vegetables, and chicken broth, the perfect ingredients for a healthy soup or casserole meal. One packet alone was designed to feed six adults and up to 12 children. A combination of food donations from local vendors and cash donations from members provided the supplies necessary to complete the project. In one day, more than 300,000 meals were packaged and distributed to food banks across the state. Kiwanis members, their families, and other community volunteers participated in the effort, which was coordinated at 11 different assembly locations across the state. One site in the city of Grand Rapids was responsible for gathering 100 volunteers, who assembled 30,000 meals in a single day (Reinstadler, 2009).

Prescott (AZ) Noon Lions and a Local Newspaper Recycling Program

Fifteen years ago, responding to the understanding that only 40% of Americans recycle their daily newspapers, the Prescott Noon Lions Club in Prescott, Arizona, came to the realization that this problem was even more severe in their community because there was no formal recycling program. Therefore, the Lions chose to make it their community service priority to pool their resources and launch a community-based recycling program. Ever since, two mornings each week, 35 of the club's members get up before dawn and collect old newspapers from local residents. After sorting the papers, the club ships them off to regional recycling centers. Since launching the program, members have collected more than 53 million pounds of newspapers. Members volunteer their time, more than 850 hours each month, and use their own vehicles, accounting for more than 25,000 donated miles each year. The effort not only helps to keep newspapers out of the local landfill, it serves as a club fundraiser. In one year alone, the group raised more than $230,000, all of which was donated to more than 40 local nonprofit organizations, such as Big Brothers, Big Sisters, and a local center for the blind (see Lions Clubs International, http://www.lionsclubs.org).

Getting Involved

As mentioned earlier, service clubs and benevolent societies offer nonprofit leaders great opportunities for networking, learning about the community, forming partnerships, and identifying new donors, volunteers, and board members. Although these organizations position themselves as a group of community leaders who are eager to make a collective difference in their communities, the culture of camaraderie that develops among their members encourages an environment where the interests of those who belong to the group come before the interests of those who do not. In other words, nonprofit leaders who belong to the club benefit from greater access to its leaders and stand a better chance of leveraging the club's philanthropic resources. It is true that service clubs and benevolent societies welcome opportunities to partner with nonprofit organizations, but they are naturally more inclined to respond to community service ideas that are first presented by their own members. Therefore, nonprofit leaders have two options: Either get acquainted with a club member, or join the club themselves. Clearly, the latter option is the more expedient path toward forming a partnership with a service club or benevolent society. Through active membership, participation in committees, and assuming leadership roles, nonprofit leaders will earn the respect of the organization's members. It is a common understanding that achieving respect from club members comes before one can realize his or her personal motivations for joining the organization.

Both service clubs and benevolent societies have many nonprofit executives as members. Yet, it is clear that joining service clubs is an easier, more expedient process than joining a benevolent society. As mentioned earlier, membership in a benevolent society is generally derived from one's personal ethnic heritage, religious tradition, or professional affiliation. Likewise, because of the strict cultural traditions associated with benevolent societies, the process for membership is often more involved. This is particularly true for those that are registered with the IRS as 501(c)(8) organizations, which offer financial benefits to their members. That being said, all of these organizations require new members to ensure their own survival. Thus, if club or society membership appears to be a logical option for an aspiring nonprofit executive, one should not shy away from seeking opportunities to get involved.

On their websites, nearly all service clubs and benevolent societies outline the process that prospective members must pursue to join. For either situation, knowing an active member is the easiest and preferred way. Due to the complicated and often secret process for joining a benevolent society, only the process for joining a service club will be explored in this chapter. For those who are interested in joining a benevolent society, it is recommended that one contact a local chapter directly and express interest.

Joining a Service Club

The new member process for a service club varies from club to club and chapter to chapter. Generally, the first step toward joining a service club is attending a regular club meeting as the guest of a current member. The current member will often inform the membership committee chairperson that a prospective new member has expressed an interest in joining the club. As a response, the committee chair will acknowledge the request and suggest that the prospective member come to a meeting as a club guest. In doing so, the club will often cover the cost of the meal for this first introduction to the club. A good host will lead the prospective member around the meeting room and introduce the individual to key members. If the prospective member is still interested, many service clubs require that he or she attend several meetings to allow the individual adequate opportunity to get better acquainted with members and see the club in action.

Once the prospect decides to continue down the path toward membership, he or she will fill out an application. Applications give a prospective member the chance to communicate his or her professional background, past service club experience, and community leadership roles. An application will ask the prospect to identify any and all current club members the individual already knows. Many clubs will require a prospective member to identify current members who will serve as his or her primary and secondary sponsors. By signing a prospective member's application, sponsors indicate to the membership committee that the individual would be a good fit for club membership. Once the application has been submitted, the membership committee will meet and discuss the attributes of the proposed member. In a day when club growth and survival is a frequent topic of concern for service clubs, it would be rare for a new member's application to be declined.

Once the membership committee has approved an application, a couple of the committee's members will ask to meet with the applicant and explain member expectations and how the club works. This conversation will cover such topics as the club's community service initiatives, member dues, attendance, charitable expectations, and the various opportunities for committee service. A formal new-member orientation with other prospective members will soon follow, where these and other topics, such as the club's history and international service priorities, are explained in greater detail. Once these steps have been completed, the new members will be presented at a regular club meeting, where their professional backgrounds and other personal attributes and interests are shared. New members are then welcomed by the group and are presented with the club's official pin.

When joining, nonprofit executives should be clear about the financial obligations that come with club membership and make certain that their superiors or board members are aware of these costs, which will vary from club to club and chapter to chapter. Although the financial costs of membership are not exorbitant—roughly $1,000 or slightly more per year—for small and mid-size nonprofit organizations that tend to pay lower staff salaries, these costs may be out of reach for an individual staff member to cover out of his or her pocket. Generally, for-profit companies that ask their employees to join service clubs will pay for all of the associated membership costs. The savvy nonprofit organization will do the same for its employees.

That being said, it is wise for the nonprofit executive who joins a service club to enthusiastically embrace the opportunity and put forth the effort required to make his or her organization's investment worthwhile. Club leaders will explain to new members that the benefits of club membership depend on the extent of time, effort, and energy that one is willing to invest in club participation. Merely joining the club will not necessarily yield a direct return on the investment. What is more, a nonprofit executive should avoid overstating to his or her board members the potential for a financial return on the investment in club membership. It is important to note that any returns may not be immediately recognizable and may come about in nonmonetary ways, such as through a greater awareness among community leaders of the nonprofit organization's mission and programs. In many cases, nonprofit executives will benefit the most from establishing personal relationships with individual club members. Again, active participation in the workings of the club provides the best opportunity for nonprofit representatives to achieve these goals.

Once a nonprofit executive has established himself or herself as a dedicated new member, he or she may have the opportunity to ask that the programming committee consider allowing time at a regular meeting for a presentation on his or her nonprofit organization's mission. Such a presentation will introduce the club's membership to the organization's goals, services to the community, and results of its work. If inspiring, such a presentation could attract new donors, board members, and volunteers. The possibility always exists that the club could take on support for the nonprofit as one of its local service priorities. Clubs tend to identify new service projects as a response to a moving presentation about a serious community need. Although this may seem like a terrific opportunity for a nonprofit organization and could justify the financial and time costs for joining, being too forceful with club members in this regard could backfire and do more harm than good. Clubs prefer to set their own service agendas. Any strategy for attracting the club's attention to a particular nonprofit organization should be pursued only with great respect and admiration for the club's internal decision-making process and culture.

Tips for Students and Young Nonprofit Leaders

Because the very nature of service clubs is to gather business and community leaders together for the purpose of pursuing community service, these organizations tend to shy away from attracting prospective members who have not yet begun their careers. Yet, students and young leaders can employ strategies to prepare themselves for future club service.

While still in school, students can develop leadership skills by joining service-oriented campus organizations. This experience offers a great introduction to the demands of club membership and will prepare a student for future leadership roles in more formal professional-service clubs. Participating in a debate or speech team can also help build confidence and refine public-speaking skills. For those who fear standing and speaking in front of a crowd, something that is frequently asked of service club members, such experience will be invaluable.

Many international service clubs offer junior or young member chapters as a strategy for identifying and cultivating future lifelong members. An example of this is Rotaract, which is an affiliate of Rotary International. Some local Rotary chapters sponsor their own Rotaract club, but not all. A similar option can be found with an international service club that is specifically designed for young business leaders, Junior Chamber International (http://www.jci.cc), or "Jaycees" for short. Its mission is to cultivate young leaders between the ages of 21 and 40. This organization has roughly 200,000 members in more than 100 countries. Many notable personalities, such as Bill Clinton, Ronald Reagan, and Larry Bird, are former members. Through a variety of community service projects, the young members of this club build lifelong relationships and hone their leadership skills. The membership process is easy, and annual membership dues are generally between $50 and $75. The experience offers a great opportunity for young leaders to first develop their skills and learn about service club membership before joining a more formal professional club, such as Kiwanis or Rotary.

Summary

For those who are new to a community, just starting a career, or forming a new nonprofit organization, service clubs and benevolent societies can offer an effective, expedient way to form new relationships and build social capital. Although service clubs and benevolent societies have suffered declines in participation in recent decades, they still serve as important gathering spaces where civic and business leaders join together in hopes of making their communities a better place to live. Should these organizations continue to find new ways to adapt their cultures and traditions to the complexities of today's society, their potential to build trust among citizens and make a positive difference in communities is great. It is clear that nonprofit organizations and their leaders belong in this environment. Nonprofit organizations, in order to succeed, must know and understand their communities. Service clubs and benevolent societies offer a perfect opportunity for networking and building community awareness.

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9

Umbrella Organizations in the United States

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A popular term in both business school classes and in the private sector is the term *quality control.* Quality control aims to enhance the company's products and services, ensuring a successful process that obtains quality. In addition, quality control also includes the development of employees, understanding the proper skills and training both to correct the company's issues and to advance its workforce. Corporations are able to dedicate entire divisions toward the issue of quality control. In the nonprofit sector, the internal resources available to be dedicated toward quality control are very limited. The need for quality control, therefore, has led to the creation and expansion of organizations dedicated to building the capacity of and providing technical assistance to nonprofit organizations. In the magazine titled *Foundation News and Commentary,* Gwen I. Walden (2006) states that "Nonprofit Infrastructure Organizations (NPIOs) form the backbone of the nonprofit sector by providing vital management, training, professional development and technical services."

Elizabeth Boris provides additional insight into these types of organizations. In The Nonprofit Quarterly's *Study on Nonprofit and Philanthropic Infrastructure*, Boris (2009) states that

> if I were to describe the network of organizations that supports the nonprofit sector, I would not use the word *infrastructure,* which connotes a fixed and unchanging support system. These organizations are hardly the static bones of the sector; rather, they are the interactive forces that transmit information and propel change. This network connects civil society organizations through its hubs, which create opportunities for peer to peer learning and shared experiences as well as for improving prac tices, conducting and using research, and developing ethical stan dards. At their best, support organizations are propellants that drive organizations to excel. They promote an overarching view of the nonprofit sector's role in society by articulating the collec tive challenges of organizations and their constituents and by developing alternatives to address these challenges.

For young and aspiring nonprofit leaders, infrastructure organizations may be the best starting point in their careers. Opportunities exist to help these leaders understand the needs of both nonprofit organizations and the tools and mechanisms necessary to help these organizations move to the next level. This chapter will outline infrastructure organizations in several environments including:

- Academic centers
- Online resources and technology
- Press and publications
- Nonprofit associations
- Nonprofit research and statistics
- Umbrella organizations
- Cause related support organizations

Outlining organizations within these subsections is not an endorsement of any particular organization but should give the reader an understanding of the types of infrastructure organizations that exist and potential entry points for those interested in careers in the nonprofit sector.

Author's note: The information about organizations in this chapter has been compiled from their websites. Further information can be obtained using the URLs provided.

Academic Centers

Nonprofit Academic Centers Council
www.naccouncil.org

With the growth of the nonprofit sector, many colleges and universities provide graduate degrees and certificates in nonprofit and philanthropic management. In addition, many of these schools have created academic centers that expand on these degrees, delving into research and capacity-building activities. The following is an overview of academic centers throughout the United States.

Hauser Center for Nonprofit Organizations at Harvard University
www.hks.harvard.edu/hauser

The Hauser Center for Nonprofit Organizations at Harvard University is a university-wide center for the study of nonprofit organizations and civil society. The Hauser Center seeks to expand understanding and accelerate critical thinking about the leadership of nonprofit and nongovernmental organizations (NGOs) through the key goals of research, education, and practice.

The center's stated goals include the following:

- *Research:* Explore the critical questions affecting nonprofits and NGOs and widely disseminate the findings
- *Education: S*upport teaching about nonprofit organizations across Harvard University and development of curricula in the field
- *Practice:* Connect current and future leaders with new thinking and scholarship

Notable Research and Programs

- Organizing a major collaboration to study federated organizations, a component of the nonprofit sector that has not heretofore been the focus of scholarly research, despite the fact that so many nonprofits central to civil society are federated entities
- Engaging in a process to expand research opportunities untapped in nonprofit incubators across the country and to increase knowledge about the dynamics of start ups
- Sponsoring with the Harvard Law School a 5 year research initiative on nonprofit governance and accountability

New York University

New York University includes two key academic centers that touch on the nonprofit and philanthropic sector. They are as follows:

National Center on Philanthropy and Law (NCPL)
www1.law.nyu.edu/ncpl

The NCPL was established at the NYU School of Law to explore a broad range of legal issues affecting the nation's nonprofit sector and to provide an integrated examination of the legal doctrines related to the activities of charitable organizations. The NCPL operates for the benefit of the international philanthropic community. Scholars, students, practitioners, and nonprofit organizations worldwide have benefited both directly and indirectly from the resources it provides.

The NCPL's goals of increasing the knowledge of students, faculty, scholars, attorneys, and nonprofit organizations worldwide in the area of law and philanthropy and improving the practice of law in this field are realized through the following eight core activities:

1. Curriculum
2. Scholarly research
3. Conferences
4. Library collection
5. Bibliography
6. Fellowships
7. Placement
8. Faculty development

Research Center for Leadership in Action (RCLA)
http://wagner.nyu.edu/leadership/index.php

Housed within NYU's Wagner Graduate School of Public Service, the RCLA creates collaborative learning environments that break down the potential isolation of the nonprofit fields of study, foster needed connections and networks, and yield new and practical insights and strategies. It engages the leadership of a diverse spectrum of public service organizations from government agencies to nonprofits large and small to community-based and social change groups, both across the country and around the world. RCLA crafts and runs customized, experiential leadership programs that both expand individuals' skills and strengthen the organizations in which they work.

The Center on Philanthropy at Indiana University
www.philanthropy.iupui.edu

The Center on Philanthropy at Indiana University is dedicated to increasing the understanding of philanthropy and improving its practice through research, teaching, public service, and public affairs. The Center on Philanthropy was founded to professionalize fundraising and to building knowledge about the philanthropy field.

Notable Research and Programs

- *The Fund Raising School:* The Fund Raising School helps nonprofit fund raisers, executives, board members, and volunteers improve the success of their organizations by improving their fundraising success. The school teaches comprehensive, proven fundraising concepts and principles, incorporating the latest research. At the same time, it offers specific tools and techniques that empower fundraisers to effectively plan and manage their development efforts.

- *The Third Millennium Philanthropy and Leadership Initiative:* A collaborative effort that focuses on enhancing philanthropy among people of color, women, and youth. Its goal is to learn from and share the center's philanthropic expertise with those whose philanthropy has always been vibrant but who have been historically underrepresented in nonprofit leadership positions.
- *Lake Institute on Faith and Giving:* Provides educational offerings, research, and civic conversations to churches and congregations, religious institutions, nonprofit organizations, theological schools and seminaries, attorneys and financial advisers, community groups, and civic organizations.
- *Women's Philanthropy Institute:* Consults with and provides technical assistance to organizations around the world that are interested in engaging women in philanthropy. WPI also acts as a clearinghouse for information about women's philanthropy, and helps individuals and organizations network and link to one another.

Duke University, Sanford School of Public Policy
www.sanford.duke.edu

Duke University includes two key academic centers that touch on the nonprofit and philanthropic sector. They are as follows:

Center for the Study of Volunteerism and Philanthropy
sanford.duke.edu/centers/philvol

The center offers a professional master's degree in public policy analysis and management as well as an undergraduate major in public policy. The center's major objectives are:

- To support scholarly research on issues related to philanthropy and voluntarism
- To stimulate the exchange of ideas and research findings among scholars and practitioners
- To encourage the development of university courses in the area of philanthropy

The Center for Strategic Philanthropy and Civil Society (CSPCS)
cspcs.sanford.duke.edu

The center researches, analyzes, and promotes philanthropy that consistently produces high impact. CSPCS stimulates communication, collaboration, and problem-solving around pressing issues of public policy and philanthropy. To support the center's mission, CSPCS has a goal to increase the public policy impact of philanthropic individuals and private, corporate, and community foundations

Online Resources and Technology

Over the last several years, nonprofits have come to rely on the use of technology as one of the main threads of the fiber in an organization. To assist with this, organizations have been created that exist online to provide information and resources to the nonprofit sector. Those online groups are as follows:

The Innovation Network
www.innonet.org

The Innovation Network develops and shares online tools and know-how to help organizations measure results. The online tools include the following:

- *Organizational assessment tool:* A self assessment survey and reporting tool that provides nonprofit leaders and stakeholders with a snapshot of organizational strengths and areas for improvement.
- *Logic model builder:* A step by step guide for articulating and connecting organizational or program goals, resources, activities, outputs, and outcomes.
- *Evaluation plan builder:* Transfers key data from the logic model builder and moves from goal setting to identification of evaluation questions, indicators, and data collection strategies for evaluating program outcomes and implementation.
- *Point K resources:* The searchable resource database at Point K focuses on resources for evaluation and capacity building. More than 200 publications and links are yours to browse through.

Action Without Borders/Idealist
www.idealist.org

Action Without Borders is a nonprofit organization headquartered in New York City. Among other programs, Action Without Borders runs the website Idealist.org, which facilitates connections between individuals and institutions that are interested in improving their communities. More than 84,000 nonprofit organizations from more than 180 countries have created profiles on Idealist.org. They use these profiles to list information about their missions, programs, services, and opportunities. Idealist offers the following services:

- *The Career Center:* Provides guidance to people starting or changing careers, with advice on everything from resume writing to sector switching.
- *Public Service Graduate Education Resource Center:* Contains advice and tools for people considering graduate school and its connection to their future social change careers.
- *Community Action Center:* Offers techniques, tools, and other support for launching, leading, and sustaining a community project.
- *Tools for organizations:* Has useful introductory materials on issues faced by nonprofit managers, from tips on starting a nonprofit to fundraising and technology.

- *Generation Idealist:* Features resources for up and coming community leaders and world changers.
- *Tools for teachers:* Provides classroom materials and activities for schoolteachers who want to introduce their students to concepts like community service and the work of nonprofits.
- *International Volunteerism Resource Center:* Provides advice and tips for people interested in volunteering abroad, whether on their own or through a volunteer sending organization.
- *Tools for webmasters:* Gives webmasters and bloggers a variety of ways to make their own sites interface with Idealist.
- *Mid Career Transitions Resource Center:* Offers advice and resources for a range of professionals seeking to change careers and find a fulfilling job in the nonprofit sector.
- *The Volunteer Center:* Offers advice and leads for people interested in volunteering, whether in their own communities or in far off places.
- *The Nonprofit FAQ:* Uses an interactive Q&A format to delve into all sorts of specific issues in the nonprofit sector, from building a board to obtaining tax exemption to using the right technology in your organization.
- *The Volunteer Management Resource Center:* Contains an encyclopedic array of resources, best practices, networking opportunities, and professional development links for anyone involved in the administration of volunteers.
- *Nonprofit Human Resources Center:* Has a huge range of information, tools, and other useful knowledge for nonprofit human resources professionals and those interested in human resources.

Foundation Center
foundationcenter.org

The Foundation Center maintains the most comprehensive database on U.S. grantmakers and their grants; issues a wide variety of print, electronic, and online information resources; conducts and publishes research on trends in foundation growth, giving, and practice; and offers an array of free and affordable educational programs. The Foundation Center includes the following online and in-person services:

- Library/learning centers in five locations New York City, Washington, D.C., Atlanta, Cleveland, and San Francisco that offer free access to information resources and educational programs.
- Unique databases of information on the more than 95,000 foundations, corporate donors, and grantmaking public charities in the United States and 1.3 million of their recent grants. Its *Foundation Directory Online* subscription service is the most popular means for searching these databases.
- A content rich website with a variety of free search tools, tutorials, downloadable reports, and other information updated daily, including *Philanthropy News Digest*, its daily news service, and *PubHub*, its searchable online collection of thousands of reports published by foundations and nonprofit organizations.
- Research and reports on the growth of the foundation field and on trends in foundation support of the nonprofit sector, including the annual *Foundations Today Series.*
- A full curriculum of training courses educating thousands of people each year in the classroom and online in the form of self paced courses and tutorials, as well as webinars. Free and affordable classes nationwide cover the funding research process, proposal writing, grantmakers and their giving, and related topics.
- Books ranging from basic primers on fundraising and nonprofit management to comprehensive reference works.

GuideStar
www.guidestar.org

GuideStar is a project of Philanthropic Research, Inc. (PRI), a nonprofit organization. PRI's mission is to support philanthropy in America by providing information that supports better donor decision-making, greater nonprofit operating effectiveness, and a more efficient allocation of resources to and within the nonprofit sector. To this end, PRI works to provide the public with a database of quality information about the programs and finances of U.S. nonprofit organizations.

The GuideStar database contains records on more than 700,000 nonprofit organizations classified as 501(c)(3) by the Internal Revenue Service (IRS). Data is collected directly from the charities and from the IRS Business Master File, IRS Forms 990, and 990s EZ. Outside of search services, GuideStar provides the following fee-for-service programs to the nonprofit sector:

- *Nonprofit compensation report:* Benchmark of thousands of organization's salary and benefits packages. Find information by job category, program area, gender, and geography. Scan high level data in the report's executive summary, which highlights key compensation trends in the nonprofit sector.
- *Matching and verification:* GuideStar's matching and verification solution compares client provided data sets with the GuideStar database to verify nonprofit status, confirm charitable status, and append data fields.
- *GuideStar for Education:* GuideStar for Education offers academic researchers, instructors, and their students complimentary access to its database of information on more than 1.8 million nonprofit organizations.

IdeaEncore Network
www.ideaencore.com

IdeaEncore provides nonprofit organizations, foundations, and quality content owners with an online marketplace for sharing ready-to-use tools, templates, training content, policies, and program materials. A wide variety of materials are shared from peers across the spectrum of nonprofit organizations, including:

- Agreements/contracts
- Analyses/research/studies

- Articles/position papers
- Books
- Brochures/fliers/viewbooks
- Definitions
- Evaluations/assessments
- Exhibits/displays
- How to/guides
- Law/regulation/compliance
- Newsletters/publications
- Podcasts
- Policies/procedures/processes
- Software/online tools
- Surveys/data collection tools
- Workbooks
- Workshops/training materials

Press and Publications

As the nonprofit sector grows, so seemingly does the number of media outlets dedicated to it, especially relating to online media. These informational outlets provide the latest updates on opinions and trends in the sector as well as practical tools and resources that can be applied to everyday practice. The following are the most accessed media organizations that assist nonprofit organizations with infrastructure and capacity-building information:

The Chronicle of Philanthropy
www.philanthropy.com

The Chronicle of Philanthropy provides news and information for executives of tax-exempt organizations in health, education, religion, the arts, social services, and other fields, as well as fundraisers, professional employees of foundations, institutional investors, corporate grantmakers, and charity donors. Along with news, the chronicle offers such service features as lists of grants, fundraising ideas and techniques, statistics, reports on tax and court rulings, summaries of books, and a calendar of events. In print, *The Chronicle of Philanthropy* publishes 18 times per year, and a digital edition is also available. Either format provides subscribers with complete access to philanthropy.com, which features the latest news, trend analysis, and fundraising strategies available in the nonprofit sector. The weekly information on the latest nonprofit news also includes:

- Fundraising and giving
- Managing nonprofit organizations
- Highlighting specific causes and organizations
- Facts and figures on the nonprofit sector
- Jobs in the sector

Stanford Social Innovation Review
www.ssireview.org

The *Stanford Social Innovation Review* (SSIR) is a quarterly magazine published by the Stanford Graduate School of Business for leaders in nonprofits, foundations, government, and socially responsible businesses. The mission of SSIR is to share substantive insights and practical experiences that will help those who do the important work of improving society do it even better. SSIR seeks to strike a balance between the pragmatic and the intellectual, to embrace no predefined political ideology, and to champion the interests of no single constituency. SSIR features powerful case studies illuminating what's working today in nonprofits, foundations, and socially responsible businesses, expert analysis of trends and new models for social impact and strategies organizations can employ from groundbreaking nonprofits and social enterprises.

The Nonprofit Quarterly
www.nonprofitquarterly.org

The Nonprofit Quarterly (NPQ) is a management magazine for nonprofit leaders and managers. It provides analysis of themes such as governance, fundraising, philanthropy, evaluation, technology, and financial management. A free monthly electronic newsletter on NPQ's website includes an executive director's guide and a manual that includes step-by-step instructions, case studies, and tips on nonprofit management issues.

GOOD Magazine
www.good.is

Launched in September 2006, *GOOD*'s mission is to provide content, experiences, and utilities to serve this community. *GOOD* currently produces a website, videos, live events, and a print magazine. *GOOD* magazine provides:

- *Marketplace:* Information on our consumer culture
- *Portraits:* A collection of people doing things that matter
- *Stimuli:* A collection of essays on the newest trends in culture
- *Features:* In depth explorations of people, ideas, and institutions

Need
www.needmagazine.com

NEED magazine creates exposure for humanitarian aid via an educational, artistic, visual narrative of human stories, both around the world and domestically. This exposure offers an innovative and dynamic approach to building awareness and increasing support for relief organizations and humanitarian aid. The following are the specific sections within *NEED*:

- The Home department draws attention to situations revolving around the home, such as: slums, refugee camps, availability of clean water and sanitation, stories of displaced people due to war or natural disasters, and the programs that are improving these situations.

- The Kids department looks at issues affecting children, such as: child prostitution, street kids, education issues, child soldiers, orphans, and the organizations that are helping children to succeed.
- The Work section focuses on situations and organizations creating innovative solutions dealing with working life. These include: child labor, sexual slavery, war's effect on work, changes in working life after natural disasters, lack of work, and so on.
- The Health section focuses on projects that improve the physical well being of individuals in need.
- The Generosity section shares stories of the philanthropic activities of individuals, corporations, nonprofits, and governments as well as the impact that giving has on people receiving aid. These stories will inspire and encourage ongoing support to make lasting change a reality for those in need.
- The Future section highlights projects that are an investment in the future, including: sustainable development projects, postwar or disaster reconstruction, child soldier reintegration programs, and so on.
- The Cooperation section highlights projects or situations in which multiple parties are working together to solve a problem or create a sustainable solution.
- The Dialogue section documents a conversation with someone associated with Humanitarian issues, such as: an aid worker in the field or a high profile person directly involved in relief efforts.

Nonprofit Associations

According to the American Society of Association Executives, an association is a group of people who find strength in numbers while sharing common interests in industries, professions, charities, hobbies, or philanthropic action. Most associations are nonprofit organizations, and some are dedicated specifically to the nonprofit sector. Some key associations dedicated to the development and advancement of the nonprofit sector are described here.

Association of Fundraising Professionals
www.afpnet.net

The Association of Fundraising Professionals (AFP) represents more than 30,000 members in 206 chapters throughout the world, working to advance philanthropy through advocacy, research, education and certification programs. AFP fosters development and growth of fundraising professionals and promotes high ethical standards in the fundraising profession.

AFP has a variety of programs aimed toward resource development. Their programs aim:

- To foster development and growth of fundraising professionals committed to the preserving and enhancing philanthropy
- To collect, research, publish, and disseminate historical, managerial, and technical information on philanthropy and philanthropic fundraising
- To promote public understanding of philanthropy and philanthropic fundraising
- To conduct activities that maintain and develop legislation favorable to philanthropy

These programs include the following:

- The AFP International Conference on Fundraising, held annually, draws more than 4,000 people from around the world and provides the ultimate educational and networking opportunity through the many participatory workshops, leadership forums, roundtables, plenary sessions, and social events.
- AFP publications include: *eWire/Skill Builder*, a weekly e mail newsletter, which provides fundraising news, tips, and guidance; *Public Policy Updates* and *Action Alerts,* which provide up to date information on government relations issues; and *Advancing Philanthropy*, a bimonthly magazine, which provides practical fundraising advice and information. AFP also publishes quarterly newsletters on diversity (*Kaleidoscope*) and Latin American fundraising (*Te Informa*).
- The AFP website (*www.afpnet.org*) provides members with all of the latest news, information, updates, and analysis from around the nonprofit sector, the fundraising profession, and AFP. Through the AFP website, members can take courses online, participate in online discussions, or use the online resource center.

Association for Research on Nonprofit Organizations and Voluntary Action
www.arnova.org

Founded in 1971 as the Association of Voluntary Action Scholars, the Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA) is a neutral, open forum committed to strengthening the research community in the emerging field of nonprofit and philanthropic studies. ARNOVA brings together both theoretical and applied interests, helping scholars gain insight into the day-to-day concerns of third-sector organizations, while providing nonprofit professionals with research they can use to improve the quality of life for citizens and communities.

Principal activities include an annual conference, publications, electronic discussions, and special interest groups. ARNOVA maintains a popular national conference and disseminates the *Nonprofit and Voluntary Sector Quarterly* (NVSQ), the official journal of ARNOVA. NVSQ provides cutting-edge research, discussion, and analysis of the field and leads its readers to understanding the impact the nonprofit sector has on society.

National Council of Nonprofits
www.councilofnonprofits.org

National Council of Nonprofits is the network of state and regional nonprofit associations serving more than 20,000 member organizations. The National Council links local organizations to a national audience through state associations and helps small and mid-size nonprofits

- manage and lead more effectively,
- collaborate and exchange solutions,
- engage in critical policy issues affecting the sector, and
- achieve greater impact in their communities.

Programs and services include the following:

- *Public policy:* The National Council informs nonprofits about legislation and regulation affecting the nonprofit sector and about ways to get involved in advocacy efforts. In addition, the National Council actively participates in coalitions and campaigns at the state and national level and works to increase the role of nonprofits in the policy process.
- *Technical assistance and tools:* The National Council provides technical assistance to state association members and the general public through direct requests for assistance, web and audio conferencing, and tools, such as a contact management database. The website *www.councilofnonprofits.org* is a clearinghouse for information on state associations and the sector.
- *Publications:* The National Council publishes *What You Need to Know*, a member e newsletter, as well as toolkits and case stories on topics such as evaluation, public policy and advocacy, and media relations. Additional signature publications include *Nonprofit Policy News*, a policy e newsletter highlighting critical nonprofit issues at the state and federal level; and the annual *Legislative Overview,* which summarizes state and federal policy changes and trends.
- *Research:* The National Council conducts research and analyzes information to communicate the value of state associations and the nonprofit sector. Projects include the *United States Nonprofit Sector* report, the Member Mapping Survey, and State of the Sector Reports.
- *Special events:* The National Council hosts an annual Member Meeting that brings state association leaders together to chart a course for the network and the sector. The National Council also participates in numerous events with national and statewide partners and provides *trainings and webinars* on select topics.
- *Thought leadership:* The National Council is a valued resource to congressional leaders, national peers, and the media, and is regularly sought out for its informed and objective analysis on the charitable sector.

BoardSource
www.boardsource.org

BoardSource was established in 1988 as the National Center for Nonprofit Boards by the Independent Sector and the Association of Governing Boards of Universities and Colleges, when they recognized the sector's need for an organization that specifically focuses on improving nonprofit effectiveness by strengthening nonprofit boards. BoardSource is dedicated to advancing the public good by building exceptional nonprofit boards and inspiring board service. BoardSource strives to support and promote excellence in board service, is the premier source of cutting-edge thinking and resources related to nonprofit boards, and engages and develops the next generation of board leaders.

BoardSource provides

- knowledge and resources for nonprofit leaders through workshops, training, assessment tools, an extensive website, and a membership program;
- governance consultants who work directly with nonprofit leaders to design specialized solutions to meet an organization's needs;
- the world's largest, most comprehensive selection of material on nonprofit governance, including publications and CDs; and
- an annual conference that convenes about 900 governance experts, board members, chief executives, and senior staff from around the world to discuss the newest thinking and practices in nonprofit governance.

Council on Foundations
www.cof.org

The Council on Foundations, formed in 1949, is a nonprofit membership association of grantmaking foundations and corporations. Members of the council include about 2,000 independent, operating, community, public, company-sponsored foundations and corporate-giving programs in the United States and abroad. The assets of council members total more than $307 billion. The council's mission is to provide the opportunity, leadership, and tools philanthropic organizations need to expand, enhance, and sustain their ability to advance the common good. The council's programs include providing legal information, public policy assistance, professional development, and research to its member foundations.

Nonprofit Research

Independent Sector
www.independentsector.org

Independent Sector's nonprofit, nonpartisan coalition of charities, foundations, and corporate philanthropy programs works every day to meet society's needs in diverse areas such as the arts, education, human services, community development, and health care. Independent Sector members collectively represent tens of thousands of charitable groups serving millions of Americans in every state across the nation. Since its founding in 1980, Independent Sector fulfills its mission in the following ways:

- Convening opportunities for sector leaders to work together on key issues. The most prominent forum of this kind is the Independent Sector Annual Conference, but Independent Sector committees are another key part of developing collective strategies.
- Promoting policies that enable the charitable community to engage with public officials on a nonpartisan basis. Independent Sector focuses on issues such as protecting advocacy rights of nonprofits, promoting tax incentives for charitable giving, and addressing federal and state budget concerns.

- Supporting the development and dissemination of strategies to strengthen volunteering, voting, giving, and other forms of citizen engagement.
- Encouraging the sector to meet the highest standards of ethical practice and effectiveness. As part of continuing efforts in this area, Independent Sector has convened the Panel on the Nonprofit Sector, which is making recommendations in the areas of governance, fiduciary responsibility, government oversight, self regulation, and financial accountability.

National Center on Nonprofit Enterprise
www.nationalcne.org

The National Center on Nonprofit Enterprise (NCNE) helps nonprofits make wise economic decisions. NCNE focuses on resources—how nonprofits can find them and use them well; and on ideas—how ways of thinking can improve the way nonprofits work. To that end, NCNE engages a network of academic researchers, business leaders, consultants, and nonprofit practitioners. NCNE has several programs, including the following:

- *Publications:* NCNE has produced books about a range of ways to make wise economic decisions, based on the proceedings of its two national conferences, and one that offers new thinking about how nonprofits can best secure the resources to achieve their missions.
- *Conferences/seminars:* One of the principal ways in which NCNE both develops and disseminates its ideas and knowledge is through bringing together people with different perspectives. These convenings take the form of the NCNE National Conference, presentations, and seminars.
- *Training:* NCNE offers a limited number of training workshops. As with all NCNE's work, training is delivered by trainers with extensive experience of training and nonprofit practice and a strong grasp of the latest research, analysis, and practice in how nonprofits raise and manage their resources.
- *Consulting:* NCNE offers a unique consultancy service to nonprofits that want to enhance their overall economic viability or face particular challenges in how they secure and use resources. NCNE's consultancy teams of two or three people always combine academic and practitioner perspectives, with one or two team members always being selected from NCNE's Research networks.

Aspen Institute
www.aspeninstitute.org

The Aspen Institute's mission is to foster values-based leadership, encouraging individuals to reflect on the ideals and ideas that define a good society, and to provide a neutral and balanced venue for discussing and acting on critical issues.

The Aspen Institute does this primarily in four ways:

1. Seminars, which help participants reflect on what they think makes a good society, thereby deepening knowledge, broadening perspectives, and enhancing their capacity to solve the problems leaders face.
2. Young leader fellowships around the globe, which bring a selected class of proven leaders together for an intense multiyear program and commitment. The fellows become better leaders and apply their skills to significant challenges.
3. Policy programs, which serve as nonpartisan forums for analysis, consensus building, and problem solving on a wide variety of issues.
4. Public conferences and events, which provide a commons for people to share ideas.

The Aspen Institute hosts the Program on Philanthropy and Social Innovation, an agenda-setting body of foundation, nonprofit, and private sector leaders at the cutting edge of change. The issues its members identify are subsequently considered in cross-sector working groups, with the aim of gaining consensus where possible and spurring collaborative action when opportune. Among the current workshop series is an effort to ensure high-quality and accessible statistical data on social sector activity. The program's leadership development initiatives include the American Express Foundation–Aspen Institute Fellowship for Emerging Nonprofit Leaders; the Aspen Philanthropy Seminar-Aspen; the Aspen Philanthropy Seminar-Greater Washington, D.C.; and the Seminar Series for Mid-America Foundation CEOs. Its communications program includes the *Aspen Philanthropy Letter,* an e-newsletter on ideas and developments that may affect philanthropy and those it supports for years to come.

Urban Institute
www.urban.org

The Urban Institute gathers data, conducts research, evaluates programs, offers technical assistance overseas, and educates Americans on social and economic issues—to foster sound public policy and effective government. Urban Institute researchers study the role and impact of nonprofits, performance measurement, nonprofit governance, and charitable giving and volunteering trends.

Urban Institute has an Outcome Indicators Project that gives nonprofits a performance-tracking framework to deliver timely, meaningful, and practical feedback. Urban Institute's National Center for Charitable Statistics—a national storehouse of data on the nonprofit sector—developed an online system for filing IRS Form 990 and state charity forms. E-filing benefits nonprofits, regulators, researchers, and donors. In addition, Urban Institute has an e-postcard system for the IRS help designed to track small nonprofits that aren't required to fill out a Form 990.

Umbrella Organizations

Umbrella organizations exist to support a network of groups and individuals. The following groups are concentrated around building the capacity and infrastructure of nonprofit groups throughout the United States, including groups that focus on risk and finance. The groups below represent national efforts and many of the foremost leading umbrella organizations:

Alliance for Nonprofit Management

www.allianceonline.org

The Alliance for Nonprofit Management is a multidisciplinary network of individuals and organizations dedicated to strengthening the management and performance of nonprofit organizations. The alliance's mission is to increase the effectiveness of individuals and organizations that help nonprofits build their power and impact. The alliance offers a variety of programs and services geared toward promoting professional development of its members, improving the quality and impact of services for nonprofit organizations, and providing thought leadership in the capacity-building field.

The alliance has a network of more than 1,300 individuals and organizations from all regions of the country. Their members include management support organizations (MSOs), individual professionals, and a range of regional/national/international academic, professional and philanthropic organizations that provide technical assistance (training and consulting) to nonprofits. The alliance's programs include the following:

- *Cultural Competency Initiative* is building the knowledge, skill, and will of nonprofit capacity builders to intentionally focus on culture in their work that strengthens nonprofit leadership and organizational effectiveness.
- *Ethical Standards in Nonprofit Capacity Building* supports the growing field of capacity building of nonprofit organizations, in which a broad range of practitioners support nonprofits in management and governance. To be effective, capacity builders need to be intentional models of the kind of ethical behaviors they aim to foster in nonprofit organizations.
- *Best Practices Awards* confer special recognition on members, corporations, and constituent organizations that have distinguished themselves in the capacity building profession.
- *Terry McAdam Book Award* goes to the book that makes the greatest contribution to nonprofit management; each year, the Alliance for Nonprofit Management reviews books published in the nonprofit sector to make a selection.
- *Affinity Groups/Learning Communities* are formed by alliance members who share common interests so they can advance their goals as capacity builders. Affinity groups provide venues for members with similar interests and identities to share knowledge and information and provide professional support through a variety of educational programs. Affinity groups include: executive transitions; faith based capacity builders; governance; management support organization staff; people of color; and, young and emerging professionals.

Academy of Management

www.aomonline.org

The Academy of Management (AOM) is a leading professional association for scholars dedicated to creating and disseminating knowledge about management and organizations. Academy members are scholars at colleges, universities, and research institutions, as well as practitioners with scholarly interests from business, government, and not-for-profit organizations. The Public and Nonprofit Division of the Academy of Management brings together scholars, managers, and students who continue this tradition by studying the public and nonprofit sectors, and the relationships among public, nonprofit, and private-sector organizations. The division's members study decision making, strategy, organizational behavior, human resource management, and political behavior; collaborations among public, nonprofit, and private organizations; organizational networks involving public and nonprofit organizations; public policy; and the social and ethical dimensions of public and nonprofit activity. The members pay special attention to how distinctive qualities of the public and nonprofit sectors influence management and organizational processes.

American Humanics

www.humanics.org

American Humanics is a national alliance of colleges, universities, and nonprofits dedicated to educating, preparing, and certifying professionals to strengthen and lead nonprofit organizations. The American Humanics program is an innovative course of study that equips college and university students to become skilled professionals and leaders in America's service agencies. American Humanics provides leadership opportunities, internships, and scholarships as well as its education curriculum.

American Humanics administers two major programs: AmeriCorps*ProCorps and Next Generation Nonprofit Leaders Program. American Humanics ProCorps is an AmeriCorps initiative that places students and alumni of American Humanics-affiliated campuses in paid AmeriCorps positions working with at-risk youth and as volunteer coordinators. NextGen is a competitive scholarship program that awards $4,500 to a racially and ethnically diverse group of students with demonstrated leadership potential and is centered on an internship with a nonprofit organization.

Nonprofit Finance Fund

www.nffusa.org

Nonprofit Finance Fund (NFF) is a national leader in helping nonprofits strengthen their financial health and improve their capacity to serve their communities. NFF's strategy is to provide financial resources, in the form of loans, grants, and asset-building programs, in concert with management advice. NFF works directly and with funders to strengthen these organizations and the system by which they are funded. The only national community development finance institution focused exclusively on nonprofits, NFF has lent more than $200 million and leveraged $1 billion of capital investment on behalf of its nonprofit clients. Beyond direct lending, in partnership with others, NFF has generated $16 million for nonprofits for building reserves, cash reserves, and endowments through its multiyear asset-building product. NFF also has provided $1.2 million in loan guarantees, $10.3 million in 9/11 recovery grants, about $13 million in capital grants, and $2 million in planning grants. NFF's technical assistance or advisory services help nonprofits make good decisions about their growth. They include workshops, referrals, the nonprofit business analysis, and other resources.

Nonprofit Risk Management Center
www.nonprofitrisk.org

The Nonprofit Risk Management Center was established in 1990 to provide assistance and resources for community-serving nonprofit organizations. As a nonprofit, the center's mission is to help nonprofits cope with uncertainty. The center offers a wide range of services (from technical assistance to software to training and consulting help) on a vast array of risk management topics (from employment practices to insurance purchasing to internal controls and preventing child abuse). The Nonprofit Risk Management Center offers the following programs:

- Free technical assistance by telephone or e mail to nonprofit staff and volunteers
- An interactive risk assessment software program on the web called *Nonprofit CARES* (Computer Assisted Risk Evaluation System)
- The *Risk Management Essentials* newsletter, which is distributed to thousands of nonprofits three times each year
- Design and delivery of workshops at events and conferences sponsored by nonprofit organizations, umbrella groups and associations, and insurance providers
- Regional conferences on risk management each spring and an annual conference each fall
- Competitively priced consulting services, including risk assessments

TCC Group
www.tccgrp.com

TCC Group provides strategic planning, program development, evaluation, and management consulting services to foundations, nonprofit organizations, corporate community involvement programs, and government agencies. Its consulting staff includes individuals with wide-ranging expertise and experience in a diverse range of issues including education, arts and culture, community and economic development, human services, health care, children and family issues, and the environment. In addition to consulting services, TCC also provides online assessment through its Core Capacity Assessment Tool (CCAT).

The CCAT is a 146-question online survey that measures a nonprofit organization's effectiveness in relation to four core capacities—leadership, adaptability, management, and technical capacities—as well as organizational culture. In addition, the tool helps organizations identify their life cycle stage and provides a real-time findings report, a prioritized capacity-building plan, and the technology to generate self-selected benchmark reports from a national database of 1,000-plus nonprofits. The CCAT is the most comprehensive, valid, and reliable tool of its kind and has been used by funders and nonprofits as a planning, capacity-building, research, and evaluation tool.

Cause-Related Support Organizations

The nonprofit world embraces a large number of causes. Every issue, cause, or subject matter has an organization dedicated to it, and if there are a number of organizations dedicated to the area, then more than likely an effort exists to support those organizations. The following list outlines some large cause-related national organizations and represents a very small sampling of cause-related support organizations that exist throughout the United States. Because the author has a specific expertise in causes related to low-income children and families, the sample concentrates in this area.

United Way of America
http://national.unitedway.org

United Way is a worldwide network in 45 countries and territories, including nearly 1,300 local organizations in the United States. It advances the common good, creating opportunities for a better life for all, by focusing on the three key building blocks of education, income, and health. The United Way movement creates long-lasting community change by addressing the underlying causes of problems that prevent progress in these areas.

America's Promise
www.americaspromise.org

America's Promise is a cross-sector partnership of more than 300 corporations, nonprofits, faith-based organizations, and advocacy groups that are passionate about improving lives and changing outcomes for children. America's Promise has made it a top priority to ensure that all young people graduate from high school ready for college, work, and life. Their work involves raising awareness, encouraging action, and engaging in advocacy to provide children the key supports we call the Five Promises: caring adults, safe places, a healthy start, an effective education, and opportunities to help others.

Coro
www.coro.org

Coro trains ethical, diverse civic leaders nationwide. Coro leaders develop skills; master tools needed to engage and empower communities; gain experience in government, business, labor, and not-for-profit community organizations; and participate in special community and political problem-solving processes.

Alliance for Children and Families
www.alliance1.org

The alliance, formed by the 1998 merger of Family Service America and the National Association of Homes and Services for Children, helps member agency leaders successfully meet today's and tomorrow's challenges by drawing on its more than 90 years of leadership in the human services community. The Alliance for Children and Families provides services to nonprofit child- and family-serving and economic empowerment organizations. Motivated by a vision of a healthy society and strong communities, we work to strengthen America's nonprofit sector and through advocacy assure the sector's continued independence.

Child Welfare League of America
www.cwla.org

CWLA is a powerful coalition of hundreds of private and public agencies serving vulnerable children and families since 1920. Our expertise, leadership and innovation on policies, programs, and practices help improve the lives of millions of children in all 50 states. CWLA's focus is children and youth who may have experienced abuse, neglect, family disruption, or a range of other factors that jeopardize their safety, permanence, or well-being. CWLA also focuses on the families, caregivers, and the communities that care for and support these children.

Community Action Partnership
www.communityactionpartnership.com

The Community Action Partnership was established in 1971 as the National Association of Community Action Agencies (NACAA) and is the national organization representing the interests of the 1,000 Community Action Agencies (CAAs) working to fight poverty at the local level. The mission of the Community Action Partnership is to strengthen, promote, represent, and serve the network of member agencies to assure that the issues of poverty are effectively presented and addressed.

National Alliance to End Homelessness
www.endhomelessness.org

The National Alliance to End Homelessness is a nonprofit, nonpartisan organization committed to preventing and ending homelessness in the United States. The alliance provides capacity-building assistance to help communities turn policy solutions and proven best practices into viable, on-the-ground programs. The alliance provides communities with best practices, how-to kits, and technical assistance trainings to help communities across the country implement solutions developed through policy, research, and practice.

Summary

We began this section discussing the for-profit's concentration on quality control. Many nonprofits lack the resources necessary to ensure the best quality control, and as a result, national infrastructure organizations are able to provide the support and resources needed to help these causes move to the next level.

As this chapter is part of a larger series about nonprofit leadership, one of the great understandings of leadership is to know when to ask for help. Organizations and leaders that are heavily linked into their respective infrastructure organizations will show greater success. The above cited organizations provide a great start to succeeding as a nonprofit leader.

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PART II

History of the Nonprofit and Philanthropic Sector

10

Classic Thought Leaders Framing U.S. Philanthropy

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Voluntary action is central to a number of classical theoretical perspectives in social science. Writing at the turn of the 19th century, Émile Durkheim, following in the steps of his countryman Alexis de Tocqueville, gave a major role to associations in his theories of social structure. The observations of Max Weber and Robert Michels, contemporaries of Durkheim, illuminated aspects of organizational reality in the voluntary sector. Karl Marx, while never a voluntarist, nevertheless left an implicit theory of voluntarism that is as critical as it is incomplete. And, in the 20th century, social theorist Talcott Parsons saw the voluntary sector performing basic functions of integration in society.

The voluntary sector, unlike the polity or economy, has not given rise to a separate scholarly discipline for its study (e.g., political science, economics). Sociologists who have specialized in voluntary action research often complain of the marginality of the field, at least in their colleagues' perception. However valid these complaints, the fact remains that the field has been central in the thought of many of the foremost developers of the sociological tradition.

In this chapter, I will focus on questions of central interest to a consideration of the relations between the third sector and other sectors, examining five problems associated with the central concerns of five classic thought leaders in social theory: Tocqueville, Michels, Weber, Marx, and Parsons (for more detail, see Van Til, 1988, Chapter 4, and Van Til, 2008, Chapter 1). Understanding these ideas is critical for leadership in the nonprofit world, as the visions of such major thinkers sustain and support the work of voluntary organizations in our own time.

The Tocqueville Problem: Can Association Restrain Benign Despotism?

The first classic problem in the field of voluntary action research derives from the work of Tocqueville and his sociological descendant and countryman, Durkheim (1858–1917). It may be identified as the problem of social and political pluralism.

To Tocqueville, the basic problem facing modern societies is the building of consensus. Faced with the demise of the old hierarchical order and the leveling occasioned by the rise of democratic politics, Tocqueville "sought to assess whether such democratic societies would be able to maintain free political institutions or whether they might slip into some new kind of despotism" (Bellah, Madsen, Sullivan, Swidler, & Tipton, 1985, p. 36).

The fear that democracy might prove a temporary societal form, prone to give way to a seemingly benign and yet irrevocable despotism of the "mass," troubled Tocqueville. Durkheim would later identify the sociopsychological root of this condition as *anomie,* the inability to connect societal goals with means to achieve them.

To both Tocqueville and Durkheim, the solution to the problem lay in the building of intermediate associations, groups that permitted individuals to transcend the gentle bonds of individualism and to participate in the realities of contemporary social living. Durkheim (1958) put the matter graphically: "A society composed of an infinite number of unorganized individuals, which a hypertrophied state is forced to oppress and contain, constitutes a veritable sociological monstrosity" (p. 28). Durkheim offered his prescription for hyperindividualism and the untrammeled state, asserting that the individual requires being dragged into the "general torrent of social life" by voluntary associations (p. 28).

The Michels Problem: Is Oligarchy Inevitable?

The Tocqueville problem is essentially a societal one, addressing the interrelations of large organizations and the patterns of their connections. The Michels problem, on the other hand, pertains to voluntary organizations and their own internal structure. Michels (1876–1936) posited as a central characteristic of the turn-of-the-century German Social Democratic Party the separation of its members into two internal classes: leaders and masses. He notes that those who assumed leadership in the party acquired both inside knowledge and the love of power and its accompanying privileges.

Michels's *iron law of oligarchy*—"who says organization says oligarchy"—has been widely accepted in the study of political organizations. Thus, Lipset, Trow, and Coleman (1956) sought to test the iron law in a study of the International Typographical Union, and countless political sociologists have pointed to the applicability of the law in other modes of organization. Students of voluntary organization have generally assumed the applicability of the law to many quintessential voluntary groups, as well.

Michels's law is more often referenced than tested, however, and contemporary organizational studies of voluntary action have cast it in a rather different light. When a distinction is made between what contemporary voluntary action researchers call a *PSNPO*—a paid-staff nonprofit organization—and a wholly volunteer-based organization, the iron law does not appear universally applicable. Indeed, Jone Pearce (1980) has contended that Michels's law does not apply at all to many volunteer-staffed organizations. Rather, her studies find that the very act of leadership in a volunteer organization can be problematic in itself because the costs of exercising leadership in such organizations clearly outweigh the immediately perceptible gains.

The Michels problem can rather clearly be specified in modern society. The iron law applies most directly to those organizations in which rank-and-file assume more highly paid positions on (s)election to them and in which they enjoy considerably heightened privilege as a consequence of their new rank. The law applies less well to many contemporary corporations, including universities, in which the costs of advancement may be more apparent than the gains.

If the Michels proposition does not universally apply in the realm of paid employment, it seems even less broadly applicable to the volunteer organization that is without paid staff, as Pearce's work (1980) so dramatically demonstrates. Yet, Michels's insights are not wholly inapplicable to the voluntary sector. Countless voluntary organizations at all societal levels do not demonstrate shared and revolving leadership patterns but rather become the bailiwick of a single dominant leader.

The Weber Problem: Can the Perils of Bureaucracy Be Avoided by the Voluntary Sector?

The Michels problem is in many ways a subunit of a broader problem, that of the organizational structure of modern society. Viewed as involving the increasing dominance of bureaucratic principles of organization in society, this issue is most closely linked to the work of Max Weber (1864–1920).

Alford and Friedland (1985) have identified this problem as involving the managerial perspective on society. The unit of analysis in such a view is the organization, seen to "have a significant degree of autonomy from society and the individual and group relations" that compose the organization (p. 5). The managerial perspective involves a heightened awareness of *interorganizational networks,* organized structures of power, and a pervasive conflict between centralization and fragmentation.

Students of American life have often noted the resistance of voluntary associations to the bureaucratic principle. Focusing on the breadth and significance of informal organizational patterns, they have asserted the importance of neighboring, familism, and other interactional patterns. Donald and Rachelle Warren (1985) have identified a widespread system of *problem anchored helping systems*, which allow most Americans access to unpaid counseling, home care, and other assistance. Their studies show that these informal patterns of assistance far outweigh the services of formal organizations in terms of the frequency of their use.

Such informal patterns of help seeking and help giving differ from those involved in formal organizations in several ways. As Hoch and Hemmens (1985) explain:

> People conceive of informal helping within the context of ongoing social relationships. Unlike organized help in which the function defines the boundaries of the social relationship between the help giver and the recipient, informal help is defined by the qualities of the social relationships within which helping occurs. (p. 5)

Such informal help tends to be reciprocal, rather than one way, and may be seen to "compose the basic fabric of social life in households, communities, and organizations" (p. 5).

Formal organizational theory, on the other hand, takes a very different position. When it considers voluntary organizations, it gives central attention to the rising professionalism of such groups, and it sees that professionalism as a response to the weakened effectiveness of amateurism in American voluntarism. Many factors render effective volunteering problematic, including the widespread difficulty of volunteer-based organizations to secure effective leadership. Formalizing and professionalizing the voluntary agency is informed by the desire for efficacy, but it may lead to a rigid and bureaucratized structure.

Contemporary forces at work in the environment external to voluntary organizations impel such organizations toward models that are bureaucratic and increasingly corporate in form, if not in spirit. As Kramer (1985) puts it,

> Voluntary agencies will be confronted with the related dilemmas of entrepreneurialism and vendorism, both of which have an exceedingly high potential for goal deflection. . . . Not surprisingly, with reductions in their governmental income, many voluntary agencies have been attracted to the prospect of earning funds not dependent on grants or contributions. (p. 388)

Alford and Friedland (1985) note that, in the managerial view of society, the concept of *voluntary association* becomes replaced by that of *organization* (p. 449). In such an *organizational society,* the distinctions between private and public, profit and nonprofit, are greatly lessened. All organizations, be they voluntary, corporate, or governmental, are seen to follow the same laws of organizational domination and competition. All come to be seen as ultimately dependent on their ability to secure an economic niche capable of sustaining them.

From the organizational perspective, the tendency for voluntary organizations to become more bureaucratic in form and more dependent on the sale of their products in practice is to be expected. Such are also the expectations placed on contemporary governmental programs (with the single exception of the military) and economic enterprises themselves (including those industries, like nuclear energy and defense contracting, which are themselves sustained by their privileged role with relation to the state).

In contemporary society, the nonprofit organization increasingly takes the form of a tax-free business (cf. Kuttner, 1997), organizing itself around "profit centers" and divesting program elements that do not lead to its organizational growth and survival. If such "loss centers" involve people with profound personal and economic needs, there is a special sense of regret. But bills must be paid, and the shrunken welfare state cannot be expected to perform at levels it achieved in the days before the great economic transformation of 1973.

Neil Gilbert (1983) explains that, "although the voluntary sector generates a significant volume of service, there is little evidence that it possesses the inherent capacity to move far beyond current levels of activity or to compensate in any reasonable degree for decreased public spending in the social market" (p. 133). In this respect, the bureaucratization of the voluntary sector occurs along with the straightening of class lines in society. The Weber problem, then, develops in a close dance with what concerns us next, the Marx problem.

The Marx Problem: Do Voluntary Organizations Pose the Right Questions?

The centrality of economic power and control in society was the focus of the life and work of Karl Marx (1818–1883). In his holistic societal perspective, labor and capital struggle with each other in a contradictory and unstable relationship maintained only by class power. Either the dominative hegemony of the state-capital relationship maintains itself, or a radical transformation occurs in which labor takes revolutionary control of society.

The role of the voluntary sector has not been seen as a central problem by Marxists. From this perspective, as Alford and Friedland (1985) note, "Explosions of participation—in the voting booth, in the factories, or in the streets—are treated as manifestations of societal contradictions" (p. 5).

In attempting to investigate Marxist views on voluntary association, one is immediately confronted with a seeming contradiction: While Marxists have historically accorded voluntary associations—revolutionary parties, political movements, cooperatives, and so on—a central role in the struggle to achieve socialism, analysis of the voluntary sector's role within capitalism is notably absent from the Marxist literature. Part of the reason for this neglect apparently results from the emphasis that has been placed since Marx's day on the relations of production as the primary determinant of capitalist society and as the necessary focus for attempts to transform that society. Yet, even for neo-Marxists, who have attempted to assert a more prominent role for the state and cultural institutions in the maintenance of class relations, the role of the voluntary association is largely taken as a given, undeserving of detailed analysis. One is thereby left to attempt to draw inferences from concepts in the literature that posit space within the social structure for voluntary associations or that assume their existence, to construct a Marxist analysis of voluntary association.

Building on Marxist concepts of domination in the social and political spheres, one can postulate a role for voluntary association that corresponds to various functional types of associations. Fraternal, cultural, and religious organizations may be seen to play roles in the reproduction of labor and to provide compensation for feelings of alienation; philanthropic and social service organizations may be seen to maintain a dependent reserve army of labor; and political organizations can be viewed as serving to legitimize existing social relations.

Add to these roles of associations Gramsci's concept of *hegemony,* or ideological domination, and one sees that while the state performs its task of maintaining hegemony, it also assumes important supportive functions to sustain capitalists and the capitalist process. This requirement would appear to suggest an important role for institutions that can carry out state functions while not creating increased demands on state (and ultimately capitalist) finances and that can influence the expectations of workers about their rights. While not directly recognized by neo-Marxist writers, voluntary sector organizations, given their involvement in nearly every aspect of social life and their ostensible independence from both business and government, appear uniquely suited to fulfill such a role.

Drawing on classical and neo-Marxist concepts, the beginning outlines of a Marxist theory of voluntary action may now be discerned. Three general characteristics of voluntary associations may be identified, all of which may be seen by Marxists as useful for the maintenance and support of capitalist relations.

First, because they are dependent on outside funding, the programs and activities of voluntary associations can be controlled or influenced by members of the ruling class. Marxist instrumentalists have pointed to the mechanisms of this control. Of particular importance are the large foundations established by corporations; they have played an important role in creating and supporting a wide range of voluntary associations. Roelofs (1985) has noted that foundations choose to fund organizations that engage in safe reformist activities while shunning those whose activities—such as promoting cooperative ownership—are inconsistent with the interests of the power structure. Through their funding of various research activities and think tanks, foundations also can "create, disseminate and sustain an ideology protective of capitalism; they can deflect criticism and mask or actually correct damaging abuses of the system" (p. 61). Ruling-class members also dominate positions on the governing boards of major philanthropic institutions, not only directing these organizations but also reinforcing their elite status through activities of "conspicuous leisure," to use Veblen's classic phrase.

The subservience of voluntary associations to the interests of the capitalist class is furthered by another characteristic of the voluntary sector—the use of unpaid volunteers. Because volunteers provide unpaid and, to the Marxist, often gratuitous labor, they are seen as unlikely to have a deep interest in the setting of organizational goals. Their lesser stake in the organization makes them less likely to organize around interests or grievances. If they eventually do advance to paid work, volunteers are likely to fall prey to the indoctrination of organizational values and be disinclined to mount internal organizational challenges or external campaigns regarding social power. The high turnover in grassroots volunteers, due in great part to the lack of remuneration, gives paid staff justification to limit the influence of participants over fundamental organizational policy—further constraining the possibilities for debate within the voluntary sector on goals and activities that might challenge aspects of capitalist domination.

A final characteristic of voluntary groups relevant to the maintenance of capitalist relations involves the fragmentation within the voluntary sector. What liberals hail as pluralism in the sector, Marxists argue is a fragmentation that prevents effective class-based organizations from developing to challenge the system. The fragmentation is perpetuated by piecemeal funding that leads groups to address isolated issues or service discrete sectors of the population rather than allowing them to confront problems on a systemwide basis. The precariousness of funding for voluntary associations reinforces the fragmentation by limiting the scope of issues that groups are able to address and their ability to organize large numbers of workers.

Moreover, the fragmentation serves to create a marketplace of groups competing with each other in promoting the ethic of self-interested individualism—a crucial part of capitalist hegemony.

Building on these three major elements, the Marxist theory of voluntarism would surely note that social service organizations develop as an adjunct to the family providing for social reproduction and controlling the reserve army of the unemployed. Fraternal/cultural organizations play their role in social reproduction by filling leisure time with what have been called "sterile diversions." Among these diversions may be included consumption of the mass media and its messages, participation in organized religion, problem solving in self-help groups, and the celebration of patriotic rituals. Political organizations, finally, serve to marginalize subversive groups and channel others into safe activities. System challenges are blunted by reformist groups, and politics becomes harmless to ruling interests. "It is in the interest of the elite," writes Roelofs (1985), "to have every type of 'disadvantaged' person join a separate organization; each neighborhood, block, or backyard to have its own revolution" (p. 87).

Despite their central focus on the power of the ruling class to retain hegemony, most Marxists retain the belief that radical change will eventually occur, while other Marxists are even more optimistic about the role of voluntary associations in creating change. Dreier (1980), to take one instance, argues that alternative worker-based organizations such as producer and consumer cooperatives and employee-owned enterprises constitute "socialist incubators" that can provide participants, and eventually the entire society, with instruction in practical socialist solutions to the problems of modern capitalism. Even organizations advancing reformist goals, he argues, can be seen to further socialist struggle by "providing large numbers of people with the self-esteem, self-confidence, and opportunity to 'make history'—to wrest some control over their lives in a concrete, strategic, and confrontational way" (p. 34).

The Marxist approach provides the student of voluntarism with a crucial challenge: confronting with brutal honesty the role of voluntary associations in sustaining privilege, inequality, and injustice in the contemporary political economy. The right questions to ask, the Marxist asserts, are not those aimed to foster voluntarism; rather, they are those directed at the way various forms of voluntarism restrain critical thought and decisive action. On the basis of such a critical perspective, the Marxist contends, those forms of voluntary action that will ultimately usher in a new age can be identified and nurtured. The right question from this perspective is that of the meaning of the voluntary act for the future of the political economy.

The Parsons Problem: What Is the Structure of Interdependence?

The 20th-century sociological theorist Talcott Parsons (1902–1979) saw society as structured around the provision of four basic functions: adaptation, goal attainment, integration, and latent pattern maintenance (or culture). The great institutions of society—(1) the economy, (2) the state, (3) the voluntary, and (4) church, home, and family—were seen to develop, respectively, around the four basic functions. Parsons developed a macro-societal theory around these four functions and their related institutions.

Of greatest interest to the present study, Parsons (1966) observed that each institution relates to each of the others. The currency may be power, or influence, or money—but in each case, the major institutional sectors of society are in active relationships with one another. From the Parsonian perspective, a sector may dominate over another, but it should not be seen to be independent of another.

Parsons's perspective is vital in identifying the links between the three major sectors that concern us in this work: economy, state, and association. The associational relationship to the state, to take one example, gives rise to a vexing problem. On the one hand is the recognition of citizen impact, through groups, on government policy and action—surely a desirable aspect of democracy. On the other hand threatens the dark side of direct democracy, replete with the blue smoke and mirrors of "special interests," political action committees, and direct mail. Knoke and Wood (1981) describe the threat well:

> Special interest organizations have proliferated in recent years to the point of subjecting the legislature and executive at all levels of government to almost continual pressure to accede to narrowly focused objectives. . . . The result is a real threat that minority special interests will triumph over wider societal values. (pp. 191 192)

Growing Civil Society: Seven Leadership Themes

Posed in the way we have considered the Parsons problem, echoes of previous problems resound: questions of citizen power as seen by Tocqueville; matters of elite dominance as seen by Michels; issues of bureaucratization as viewed by Weber; issues of economic domination of the state as seen by Marx. That is, the problem is seen as one of major institutions engaged in transactions with each other—the corporation's buying power with money, the state's asserting power by regulation, the association's claiming power by participation. In these transactions between the sectors, one finds insight into a number of crucial issues that face contemporary third-sector leadership, of which the following will be discussed in the remainder of this chapter:

1. Social capital
2. Sociopolitical pluralism/associationalism
3. Communitarianism
4. The farewell state
5. The end of work
6. Social economy/social entrepreneurship
7. Civil society

Social Capital as a Product of Citizen Participation

The concept of *social capital* was introduced in 1990 by University of Chicago sociologist James S. Coleman in his massive treatise, *Foundations of Social Theory*, and used to very good advantage by Harvard political scientist Robert Putnam in his widely admired study of democracy in Italy, *Making Democracy Work*.

Social capital, Putnam (1993) advises, "refers to features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions" (p. 167). It is an idea parallel to the *physical capital* formed by machines and the *human capital* represented by an educated workforce. Social capital is that fund of valued interaction that results in a confidence that new problems can be tackled and resolved by groups of neighbors or citizens or fellow workers.

The steady depletion of social capital in modern society, Putnam asserts, provides a major challenge. His work illustrates that social capital is a public good, one that markets and their private agents alone cannot provide. Third-sector organizations, on the other hand, can play a crucial role in its amassing.

Putnam (1993) observes, "Building social capital will not be easy, but it is the key to making democracy work" (p. 185). Where social capital exists, people can come together to understand what needs to be done and work to accomplish needed tasks. Where it is absent, they will stay home and let the TV set explain that much is going wrong in the world around them, but there is not much that anybody can do about it.

Sociopolitical Pluralism/Associationalism

The idea of sociopolitical pluralism emerges from classical political and social thought, closely connected to concepts of separation of powers and relative autonomy of institutional activity in society. The pluralist vision involves a multi-institutional structure for society, in which political, economic, cultural, and associational forces are each able to organize themselves in relative independence from each other, to advance the distinct purposes they each embody.

Political theorist Paul Hirst presents a major statement of contemporary pluralist thought in his book, *Associative Democracy*. Hirst (1994) notes that associationalism

> is not a new idea. It developed in the nineteenth century as an alternative to both liberal individualism and socialist collectivism. . . . Associationalism had two characteristic features. . . . The first was the advocacy of a decentralized economy based on the non capitalistic principles of coopera tion and mutuality. The second was the criticism of the cen tralized and sovereign state, with radical federalist and political pluralist ideas advanced as a substitute. The associa tionalists believed in voluntarism and self government, not collectivism and state compulsion. (p. 15)

In Hirst's (1994) conception, society is best organized if voluntary organizations are numerous, effective, and "thick" in meaning. A basic role of government is to assure a level playing field for these associations to grow, act, and contest with each other. Associations not only address social aims, but also serve as means for economic organization and cooperation.

The pluralist position emerged prominently in the sociology and political science of the 1950s as a counterpoint to theories of democratic elitism, which contended that a small "power elite" tended to control decision making in American communities, from the small town to the national level. Many social scientists, like C. Wright Mills and William Domhoff, whose studies identified the prominence of the elite pattern in American life, were dismayed with what they found. Others, like a group of political scientists at Yale University led by Robert Dahl, tended to find strengths in the pattern and accommodated their pluralism to realities of limited participation. Recalling the work of political economist Joseph Schumpeter, these observers warned of a political system that might become overheated by excessive participation and identified positive functions to such nonparticipatory actions as not voting, trusting in one's representatives, and even being functionally apathetic. Yale's Dahl made the case most memorably when he noted that "where the rational citizen seems to abdicate, nevertheless angels seem to tread."

In the 1960s, the pluralists' effort to secure a position more accommodative to values of participation and equality was swamped by the rise of conceptions of more highly *participatory democracy.* These ideas were much more akin to those of direct democratic decision making and became the mantra of a variety of New Left and movement organizations, whose impact was felt both within the social politics of the age and the academic theories of the day. Increasingly, the pluralist approach was painted as just one more conservative, status quo–oriented theory.

What the pluralists had neglected, noted their critics from the Left, was an observation made early in the debate by Schattschneider (1960): "The flaw in the pluralist heaven is that the heavenly chorus sings with a strong upper-class accent" (p. 35). But rather than efforts to correct inequalities by incremental policies, visions of dramatic transformations, or even revolutions, increasingly came to characterize progressive political thought. Relying on the outcomes produced by an independent set of institutional spheres was seen as insufficient; the powers of economic control needed to be harnessed more directly to serve the good of a reformed society.

Ultimately, of course, the revolution did not occur, and the wealth and power of those who controlled America's great organizational empires, whether economic, political, or nonprofit, lay largely undisturbed. Taxes were dramatically reduced for those at the highest incomes; the spread in income and wealth between those at the top of the heap and those of moderate or even lesser means became a yawning gap; and the operational ideology of the era became that of *democratic capitalism,* with the emphasis on the noun.

Communitarianism and the Search for Responsible Voluntarism

Communitarianism, an awkward term coined by sociologist-reformer Amitai Etzioni, sought to combine liberal pluralist themes with conservative themes of individual responsibility. Adherents of this social theory, such as political theorist William Galston, were influential within President Bill Clinton's administration, and Clinton himself often articulated tenets of this theory.

Communitarianism, granted, is a name that markets poorly, but its efforts to link the liberal tradition of individual rights with the conservative focus on individual responsibility represents an intriguing attempt to create a synthesizing intellectual perspective. In his inaugural State of the Union Address, Clinton struck strong communitarian themes, saying:

> It is time to break the bad habit of expecting something for nothing from our Government or from each other. Let us all take more responsibility not only for ourselves and our fami lies, but also for our communities and our country. . . .

> I challenge a new generation of young Americans to a season of service; to act on your idealism by helping troubled children, keeping company with those in need, reconnecting our torn communities. There is so much to be done. Enough, indeed, for millions of others who are still young in spirit to give of themselves in service, too.
>
> In serving, we recognize a simple but powerful truth: We need each other and we must care for each other.

Communitarian thought recognizes the "dark side" of the voluntary tradition. It seeks to find ways in which "private governments," whether they be corporations, labor unions, or voluntary associations, can become more responsible to their members and more responsive to the needs of their communities.

As Etzioni (1993), the founder of the contemporary communitarian movement, envisions it, a communitarian society carries out a "multilogue," or national town meeting, which is itself inspired by third-sector social movements.

> In it, millions of citizens over beers in bowling alleys, at water coolers at work, and over coffee and at cocktail parties discuss and debate the issues flagged by sit ins, demonstrations, boycotts, and other such dramatizations. The multilogue is further extended in radio call in shows, letters to the editor, sermons in churches and synagogues. Gradually a new consensus emerges. (pp. 230 231)

What the third sector might particularly provide to such a multilogue is a commitment to "responsible voluntarism." Such activity might take the form of a particular dedication to work, or whistle-blowing within a governmental or corporate bureaucracy, or working with neighbors to care for elders, install a stop sign, or restrain illicit drug sales within a neighborhood.

Voluntary and nonprofit associations form one important set of institutions in the organizational world of contemporary society. From Tocqueville to the present, students of society have found in the intermediate association a source of participation, political competence, and legitimation. But such associations might also be accountable to tests of effectiveness, equity, and responsibility.

The Farewell State

Jacquelyn Thayer Scott has noted the rise of the "farewell state" in Canada and the United States in a brilliant doctoral dissertation, *Voluntary Sector in Crisis.* The farewell state, it may be observed, offers us a view from the rear of a disappearing welfare state.

The farewell state was simultaneously introduced in the United States by President Ronald Reagan and in Britain by Prime Minister Margaret Thatcher. Its contemporary adherents in the U.S. Congress, led by former House Speaker Newt Gingrich and his allies, often make Reagan and Thatcher look like timid liberals in comparison to the proposals they continue to advance.

The tenets of the farewell state are clear and unambiguous:

1. The basic function of government is to provide for order in society (what Hobbes called the "watchman state"). Police and defense should grow; all other governmental programs should be drastically reduced.
2. The business of a nation is business (as Reagan's favorite predecessor, Calvin Coolidge, put it). If taxes can be sufficiently reduced, those who own a country's corporations can be counted on to provide employment to all its workers; a rising economic tide will lift all boats.
3. The family is society's basic institution. If children will only say no and parents will only stay together, the need for most social programs will be largely reduced.
4. If any societal problems remain, the spirit of voluntarism can be relied on to relieve suffering and to provide hope to those in need.

The critics of the farewell state identify a subtext to this chant. They see the rise of unprecedented corporate power and increasing levels of social and economic inequality; they see the domination of politics by the voting power of the rich and fearful; they see a reign of morality inappropriate to the increasingly desperate lives of the poor; and they see a third sector overwhelmed by societal need itself seeking to cope with the loss of governmental and philanthropic support.

The farewell state emerges to replace the welfare state, a creation of four centuries in the Anglo-American experience. The welfare state itself may be traced to the Poor Laws of 1601 in Britain, when Parliament offered support to children whose parents were unable to provide for their support. Before that time, Catholic Britain provided such care through the parish and the local community. But as need and mobility increased in society, the local community yielded to the impersonality and rigors of the industrial-urban society.

The welfare state became regularly, if inelegantly, extended throughout British and American history, its milestones marked by the development of a wide range of social insurance programs in the early 1900s, the passage of the Social Security Act in 1935, and the many programs developed during the War on Poverty of the 1960s. The high-water mark of the welfare state, however, was reached in Britain in 1948 with the establishment of socialized medicine and universal access to higher education.

As the farewell state takes its place, it is with a friendly admonition to do the right thing and the hearty wish that all will be for the best in this best of all possible worlds. Words, and not deeds, are the farewell state's strong suit.

Nonprofit organizations come in for some unpleasant surprises in the farewell state. As efforts continue to balance budgets while at the same time cutting taxes, increasingly deep cuts may be anticipated in governmental support for nonprofit organizations. Unless this shortfall can be filled, the 21st century may find society torn by conflicts between the wealthy and the desperate, the complacent and the needy. We may yet come to miss the welfare state and to realize that it must be reinvented.

The End of Work

The concept of "the end of work" was developed by economist and policy analyst Jeremy Rifkin in a book of the same title. Most of the book is about work and why it has become so hard to find in recent years. Rifkin documents the impact of the new technology revolution brought by automation and microchip-based information processing. This revolution offers a choice between liberation from long work hours, on the one hand, and an increasing social division between the over- and the underemployed, on the other.

Rifkin believes that we are in the process of making the wrong choice and that future generations will be faced with dwindling prospects for steady employment of any sort. While fortunes are being made by those who own the patents on technological innovations, most members of the middle classes are on their way to dwindling incomes, threats to whatever jobs they are able to secure, and an inadequate financial base to assure a comfortable retirement.

Society provides its members with only four institutional means of solving its problems: government, business, the third sector, and the informal sector (family and neighborhood). If government is bowing out at the same time that corporations radically cut back their offers of work, what is left for us? Can the family replace the need for income and social service? Can the third sector?

So where does this leave us? Rifkin, having painted us into a corner, is not without hope. He sees two ways of dealing with the potential crisis of uneven employment: (1) by developing public policies that share the available work by shortening the workweek and thereby redistributing income; and (2) by developing governmental programs "to provide alternative employment in the third sector—the social economy—for those whose labor is no longer required in the marketplace."

Social Economy/Social Entrepreneurship

The concept of *social economy* (*economie sociale*, as widely used in France in the 1970s, and introduced to American audiences by the present writer in his *Mapping the Third Sector* in 1988, and then to a wider public by Jeremy Rifkin in his book, *The End of Work,* in 1995), depicts a society that meets many of its economic needs through the provision of cooperative economic activity. Rifkin (1995) notes that the

> French economist Thierry Jeantet says that the social economy is not "measured the way one measures capitalism, in terms of salaries, revenues etc., but its outputs integrate social results with indirect economic gains, for example the number of hand icapped persons well cared for at home and not in hospitals; the degree of solidarity between persons of different age groups in a neighborhood." (p. 242)

The idea of *social entrepreneurship* also seeks to integrate the third sector into economic life. Social entrepreneurs work within their organizations to blend business and traditional social service by themselves generating some of the wealth that they use. They seek to make money while providing service and deploy their profits to expand the services they provide. Programs based on ideas of social economy and social enterprise respond to the provision of economic goals in an era of declining public and private employment.

Duhl (1990) observes that social entrepreneurs or planners must direct their loyalty "outside of particular organizations and specific goals." He identifies the social entrepreneur as one who has developed substantial "map-making skills" and can navigate the "cracks between systems" (p. 113). The social entrepreneur is an effective boundary spanner, an individual experienced in the arts of community and organizational collaboration.

Civil Society

The idea of *civil society* has become the most fashionable of contemporary third-sector concepts. It is a very old and very slippery concept. The civil society concept has become the master theme in contemporary thought about the third sector.

Classical political economists like John Stuart Mill and Adam Smith viewed civil society as a realm of virtuous freedom, both economic and personal, and contrasted it with the evils of the state. G. W. F. Hegel, on the other hand, used it to explain how government could find its niche in a market-driven society by nurturing cooperation in the face of economic and social conflict.

Marx expanded Hegel's argument and delineated the terrain of civil society as one of "exploitation, alienation and social injustice" (Abdelramen, 1998, p. 6). Neo-Marxist Antonio Gramsci saw civil society as the "place where the state operates to enforce invisible, intangible and subtle forms of power, through educational, cultural and religious systems and other institutions" (Abdelramen, 1998, p. 7).

The idea of civil society was rescued from the dustbin of history by its seeming fit to the needs of emerging democracies in Eastern Europe following the evaporation of Communist structures in 1979 and thereafter. In its current incarnation, civil society continues to mean many things to many people, coming perilously close to being the "play-dough" of the social sciences, capable of being formed into nearly whatever shape the theorist chooses.

An appealing aspect of the civil society concept may be found in the linguistic root it shares with the concept of *civility.* Sociologist Edward Shils, who used the concept often, sought to establish links between the theory of civil society and civility in behavior. Like Hegel, Shils tended to see civil society as highly interrelated with a market economy. Shils (1997, pp. 91–97) was concerned that civil society was declining in American life, citing its decline within universities, churches, persons of wealth, labor unions, rural communities, and among the "rather large unemployed *Lumpenproletariat* and the criminal and delinquent class."

No small part of the appeal of the concept of civil society lies in this apparent ability to grow while in decline. Civil society appeals to us because of its many implications: It sounds better to be civil to each other than to be uncivil; things civil also seem rather less regimented than what is militarized or bureaucratic; and, of course, a civil society has a welcome ring to it in a time of uncertainty and social turbulence.

But a wholesome sound goes only so far in social theory. The fact remains that the concept of civil society will have to be more solidly defined and constructed if it is to play a role in the reconstruction of modern society. But then again, so will many other central concepts in the field of philanthropic, nonprofit, and third-sector studies. Returning to the insights of classic thought leaders in social theory will continue to repay those who seek answers to the central question: How can organizations and actors within the voluntary/nonprofit/third sector actually make a difference in the complex social, economic, and political arrangements of our modern world?

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11

Origins of the Nonprofit Sector in the United States

From the Elizabethan "Poor Laws" Through the Civil War

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For the European immigrants in the early years of the founding of the United States, far from the governments, churches, and charitable organizations that had supported them in their home countries, life was hard. To survive the challenges of settling on a new continent and to thrive in the new world, they were required to invent new organizations and to innovate on ideas and institutions they knew from Europe.

The religious beliefs of the first settlers, motivated to cross a dangerous ocean because of religious intolerance in England, combined with English secular traditions and laws, provided the context for establishing institutions of mutual support in the new nation. Influenced by the confederated democracy and values of the Native American Iroquois nation, this mix of ideas turned into a framework for our current political, legal, and philanthropic structures.

This chapter explores some of the highlights of the period between the enactments of the Elizabethan Poor Laws in England from 1552 to 1601, through the start of the Civil War in the United States in 1861. During this 260-year period, waves of immigrants fled Europe for America, the new U.S. democracy was formed, cities emerged, nonprofit organizations were established, and, at the end of this period, the nation was torn apart by the Civil War.

Today, nonprofit and foundation leaders are faced with issues related to defining and articulating the vision and mission for their organizations. Challenged by increasing calls for outside regulation and alternative models of service delivery, the nonprofit leader often is called on to define and defend charitable and philanthropic work.

Knowing the deep roots of the nonprofit sector in the United States, and understanding its relationship to preserving a strong democracy, will help nonprofit leaders reflect on and advance the field. This chapter is a short highlight of the fascinating journey of the idea, ingrained in our national character, that private individual action can make a difference for the common good.

Charitable Organizations in England

Scholars of philanthropy often cite the Judeo-Christian tradition as expressed in the Bible as the basis for understanding the charitable impulse in Western civilization.: "For when I was hungry, you gave me food; when thirsty, you gave drink; when I was a stranger, you took me into your home; when naked you clothed me; when I was ill, you came to my help; when In prison, you visited me" (Matthew 25: 35–37, in Metzger & Murphy, 1991).

He defines for us one major stream of thinking in Western culture, the theme of charitable giving and action that arises from religious belief. The concept of *steward ship* is a faith-based idea that all we are given on earth comes from a greater power. Human beings are stewards for these gifts, neither bringing them with us at birth nor taking them with us at death. We are provided what we need to live and have a responsibility for what we are given.

The prevailing religious beliefs in Europe, based in Christianity, defined seven corporal works of mercy. These are acts of charity that are required of people of faith and are aimed to assist others in distress, as defined by Jesus in Matthew 25: 32–46. These acts are to

- feed the hungry,
- give drink to the thirsty,
- welcome the stranger,
- clothe the naked,
- visit the sick,
- visit the prisoner, and
- bury the dead.

These acts did not contemplate the notion of addressing systemic problems leading to hunger, thirst, loneliness, poverty, illness, imprisonment, or even death. The works of mercy were designed to immediately relieve individual suffering. People of faith acted on these precepts because of their beliefs. This was a private act, voluntarily provided from one person (or one institution, such as the church) to another, with accountability only to one's God.

It is important to note that virtually all of the major religious traditions across the world hold similar views of charity and the responsibility of people to care for one another. The Christian tradition provides the background for this chapter because of its historic role in Western civilization and particularly in the motivations, experience, and point of view of the original British settlers of what became the United States of America.

A second theme defining our philanthropic heritage comes through the classical thought of Greece and Rome. The point of view in this heritage is not one of religion, but rather a philosophy of how people might live together in a democracy. Classical thought provides a more institutional view of philanthropy and a concern about fixing systems that lead to human want.

Some practitioners today make a distinction between acts of charity and programs of philanthropy. Those who make this distinction discuss acts of charity as specific service to an individual in need without primary consideration to addressing the root causes or reforming the systems that gave rise to the problem in the first place. In contrast, the programs called philanthropy are focused on removing root causes and ameliorating systems to prevent human suffering and need. For example, a food pantry that supplies groceries to anyone who walks in the door, without questioning their circumstances or requiring their participation in any program, would be delivering a charitable service. A nonprofit food advocacy organization seeking the passage of legislation to establish community gardens in poor neighborhoods would be engaged in philanthropy. In a strict translation, the word *philanthropy* means "love of mankind," which definition provides a broad enough umbrella under which to shelter both charitable service and systemic action.

Many of our modern nonprofit organizations provide both immediate charitable assistance to those in need, and work on solving systemic problems to change the reasons why people require assistance. This duality in role is common and reflects the long evolution of the third sector as both a charitable and philanthropic force in the United States.

In England in the early 1600s, there was concern about migration from the countryside to the cities, which exacerbated the problems of urban poverty, the declining influence of the church, the consequent rise in values not grounded in religious belief, and the increasing misuse of charitable gifts. The Statute of Charitable Uses was passed by Parliament in 1601, near the end of the Elizabethan era, culminating a series of Poor Laws passed over a period of decades, to assure that charitable activities continued as intended and were supported by law.

Specifically, the Poor Laws enacted between 1552 and 1601 were as follows:

1552 Registration of the poor to create an official record of those in poverty.

1563 Definition of various states of poverty into three major groups:

Deserving Poor: The able bodied who would work but could not find work. They were provided assistance by being given a job or gift of money or food and clothing to help their situation.

Idle Poor: The able bodied who could work, but would not. These people were publicly flogged until they changed their ways.

Impotent or Deserving Poor: The elderly, the ill, or those too young to work. The help for these groups was provided through almshouses, hospitals, orphanages, or poor houses. Bloy (2002) notes that the orphans and children were given apprenticeships to provide a trade.

1572 Passage of the first tax on the community to assist those in poverty.

1601 Passage of the Elizabethan Poor Law (Bloy, 2002), which consolidates the previous laws into one law.

Within the context of the Elizabethan Poor Laws in England, the Pilgrims left for Plymouth plantation on the new continent.

Founding of the Philanthropic Tradition in the United States

In 1620, the Pilgrims, having left for the northern reaches of the existing colony of Virginia, landed instead at Plymouth Rock, New Plymouth, Massachusetts. Before they left the Mayflower, the Pilgrims pledged their commitment to one another in a written document called the Mayflower Compact. Many view the Mayflower Compact

Mayflower Compact: Agreement Between the Settlers at New Plymouth, 1620

IN THE NAME OF GOD, AMEN. We, whose names are underwritten, the Loyal Subjects of our dread Sovereign Lord King *James*, by the Grace of God, of *Great Britain*, *France*, and *Ireland*, King, *Defender of the Faith*, &c. Having undertaken for the Glory of God, and Advancement of the Christian Faith, and the Honour of our King and Country, a Voyage to plant the first Colony in the northern Parts of *Virginia*; Do by these Presents, solemnly and mutually, in the Presence of God and one another, covenant and combine ourselves together into a civil Body Politick, for our better Ordering and Preservation, and Furtherance of the Ends aforesaid: And by Virtue hereof do enact, constitute, and frame, such just and equal Laws, Ordinances, Acts, Constitutions, and Officers, from time to time, as shall be thought most meet and convenient for the general Good of the Colony; unto which we promise all due Submission and Obedience. IN WITNESS whereof we have hereunto subscribed our names at *Cape-Cod* the eleventh of November, in the Reign of our Sovereign Lord King *James*, of *England*, *France*, and *Ireland*, the eighteenth, and of *Scotland* the fifty-fourth, *Anno Domini*; 1620. (As held by Avalon Project, 2008)

as the first form of European government in the United States, and philanthropic organizations can also point to it as one of the first voluntary organizations in the territory that was to become the United States.

In the Mayflower Compact, members of the community joined themselves together voluntarily and submitted to the formation of a new covenant. They created a democratic community and also devised a voluntary association.

The Puritans were people strong-willed enough to cross the ocean and settle in a wild land, but they were also pragmatic about the challenges that faced them. Far from the institutions that had sustained them in England, confronted daily with the harsh struggle to survive in an unforgiving environment, they soon learned that survival required cooperation. By sheer necessity, therefore, the Puritans—and their descendants—developed new ways of working together through voluntary association.

This streak of independence, coupled with the propensity to organize themselves toward common goals, created an environment conducive to the formation and survival of voluntary associations. Soon, to provide the essential services of a civil society—health care, education, human services, arts and culture, and religion—a vast network of nonprofit hospitals, schools, almshouses, museums, and churches spread through Britain's American provinces. The historic explosive growth in the development of voluntary associations and charitable organizations began, and it has continued down to the present day.

In 1636, Puritans concerned about the education of new clergymen founded Harvard College, the first institution of higher education in the British colonies. The Great and General Court of the Massachusetts Bay Colony established the college and named it after its first benefactor, Reverend John Harvard, who left his library and half of his estate to the college. The new institution began with only nine students and a single instructor, and growth was slow if steady in the ensuing years. The first scholarship fund was set up in 1643 with a gift from Ann Radcliffe (The Harvard Guide, 2007).

The New York Times reports that the Harvard Endowment, despite the difficult economic times and a major stock market decline, is worth $26 billion and includes over 11,000 individual funds given by donors over the past 373 years (Fabrikant, 2009). From the first gifts of John Harvard and Ann Radcliffe, the university has grown into an intellectual treasure with a worldwide reputation for excellence.

Other universities followed Harvard. In 1693, The College of William & Mary was founded, making it the second-oldest college in America. King William III and Queen Mary II of England chartered the school where George Washington received his surveyor's license and Thomas Jefferson, John Tyler, and James Monroe received their undergraduate educations. The college became state supported in 1906, 213 years after its founding (The College of William & Mary, 2010).

In 1701, Yale University was founded by colonial clergymen. The school was renamed in 1718 in honor of a gift from Elihu Yale. Mr. Yale gave the college 417 books, a portrait of King George I, and an endowment. These early universities, while founded to encourage the education of clergy in the new country, quickly diversified into the classical and liberal arts, although they did not offer vocational training until much later in their history.

A politician, an inventor, a statesman, and a founding father of philanthropy, Benjamin Franklin launched several new voluntary associations in Philadelphia. In 1727, he established the Junto Association. This was a club made up of a mix of academics and working artisans who got together for what Franklin called mutual improvement. The members explored issues related to morals, politics, and science. They wrote essays and engaged in discussion. Much like a modern book club or writers' support group, the Junto was a voluntary group of people joined together to achieve mutual goals. Out of the Junto grew the idea of a lending library, which was realized in the formation of the Library Company of Philadelphia in 1731. So successful was the library in Philadelphia that the idea spread throughout the colonies. The Junto evolved into the American Philosophical Society in 1743 and still exists today in Philadelphia.

Franklin organized the first volunteer fire departments. He created Philadelphia Hospital in 1751. This was the first permanent hospital founded by volunteers. The Pennsylvania Academy, another Franklin inspiration, was the first liberal arts college in the country and grew into the prestigious University of Pennsylvania. Both the hospital and the academy were independent of both government and religious organizations.

Franklin died in 1790, but created one last innovation through his will. His estate plan created two trusts for the benefit of the cities of Philadelphia and Boston. Under the terms of his will, the trusts were to operate as loan funds, making small, low-interest loans to enterprising young artificers of good character to help them establish their businesses and support their families. The funds were to be invested when not loaned out to the workmen. After 100 years, the will provided that three quarters of the existing funds should be paid out to the two cities, and the remaining one quarter used for the same purposes for another century. Accordingly, in 1890, both Boston and Philadelphia used the proceeds ($298,602 for Boston, $90,000 for Philadelphia) to found Franklin Institutes in each of their cities. The reinvested quarter was again used as a loan fund until 1990, when the remainders were paid out to the two cities ($5 million for Boston, $2 million for Philadelphia). Franklin thus created one of the precursors to the American limited-lifespan charitable foundation (Orosz, 2000).

If Benjamin Franklin provides an example of the thoughtful and innovative creation of nonprofit organizations to promote a higher quality of civic life, the Philadelphia yellow fever epidemic of 1793 offers examples of voluntary leaders who were literally heroic in confronting a crisis and promoting the public good. In 1793, Philadelphia was the largest city in the Unites States (population 55,000), the temporary capital of its infant republic, and the capital city of Pennsylvania. Located between two rivers, the Delaware and Schuylkill, it was also surrounded by swampy ground, an ideal breeding place for the mosquitoes that carried the lethal yellow fever virus. Those infected by the virus are rapidly overtaken with headaches, fevers, and vomiting. About half of those infected recover if they receive good medical care, but the other half die in grisly fashion, with bleeding disorders, liver and kidney failure, and delirium commonly occurring before death less than a week after the initial infection. Today, we know that mosquitoes transmit the virus, and we have an effective vaccine to prevent the disease. In 1793, however, doctors neither understood the cause of the disease nor had any effective treatment for it. Any epidemic of yellow fever, therefore, rapidly spread panic throughout any city.

In July 1793, refugees fleeing political turmoil in the Caribbean brought yellow fever with them. Mosquitoes were flourishing in Philadelphia's unusually warm and dry summer, and they quickly spread the contagion across the city. The death toll soon climbed to over 100 per day. Panicked citizens who could afford to do so fled the town, followed by the leaders of the state and federal governments as well as the municipal administration. Mayor Matthew Clarkson was virtually the only political leader who stayed to face the horror. Facing the breakdown of governmental authority, he desperately called for volunteers to help care for the sick (whose numbers had overwhelmed the hospitals) and to bury the dead (whose numbers had similarly overwhelmed the mortuary facilities).

Among the first to answer the mayor's desperate call was Bishop Richard Allen of the African Methodist Episcopal Church and a leader of the Free African Society, a mutual help association of free blacks founded in 1787. Despite the fact that its membership had experienced terrible discrimination on the part of much of the city's white population, the Free African Society's members responded to the call, offering their free services to care for the sick, provide food for the hungry, and bury the dead, many of whom lay for days where they had died, in their beds or even in the streets. Society members knew they were risking their own lives to save those of their neighbors, and many Society members did in fact become ill and die. But they continued their heroic voluntary services until the frosts of November brought the epidemic to an end.

Most of Philadelphia's doctors, acutely aware that they could do nothing to either prevent or cure the disease, followed the fleeing populace and politicians. One who stayed, however, was Dr. Benjamin Rush, a signer of the Declaration of Independence and a friend of President Washington.

Dr. Rush, disregarding his personal safety, walked day after day across the city, entering reeking sickrooms, providing care for patients both rich and poor of all races and all faiths. He saw more than 100 patients a day for weeks at a time and eventually contracted the dreaded fever himself. Undaunted, he continued to see patients well enough to come to his sickbed. He struggled back to his feet after a few days and resumed his work, only to be felled once more by a relapse of the fever. Once more, he prescribed to patients from his bed, and once again, when he partially recovered, he went back to his grim rounds. It was an extraordinary exhibition of voluntary courage and love for one's fellow humans, an example that shamefully few of his medical colleagues emulated.

Ironically, Rush's great valor also hastened the death of a substantial percentage of the 4,000 or so people who died in the epidemic. Dr. Rush firmly believed that desperate times required desperate measures, and his prescription for yellow fever's victims was drastic: a three-barrel regimen of bleeding, jalap, and mercury. Rush believed that the victims harbored poison in their systems and that poison must be eliminated by copious bleedings (often 3 to 4 pints at one time); the ingestion of jalap, the root of a plant related to the morning glory (which caused severe diarrhea); and heavy dosages of mercury, which would counteract poisons not removed by bleeding and excretions (enough mercury to turn his patients' teeth black). For many of Rush's patients, already weakened by the fever, the treatment regimen quite literally finished them off. Sadly enough, most of his patients would probably have been better off if Rush had fled the city with his less dutiful brethren; certainly, some would have survived had it not been for his treatment.

Eventually, with the frosts that killed the mosquitoes, the fever subsided, and then disappeared. The government officials returned, and life in the city of Philadelphia reverted to some semblance of normal (if a city that had just lost nearly 10% of its citizens could be called normal). The great heroes of the crisis were not exactly royally rewarded. Members of the Free African Society, instead of receiving thanks for their selfless services, were once again the targets of racism. Dr. Rush was (rightly) criticized for his blunderbuss prescriptions. He stoutly defended his methods until his death, finding it particularly galling that some of his accusers were, as he saw it, cowards who had fled the city and shirked their medical responsibilities during the crisis.

The Philadelphia yellow fever epidemic of 1793 shows the nonprofit sector at its best and at its worst. When anarchy was on the horizon, and when people were in desperate need, fearless and selfless volunteers like the members of the Free African Society and Dr. Rush stepped into the void left by a government that had literally run away from its duties. They offered their services for free and put their own lives on the line to save those of others. They did it because it was the right thing to do, and their fellow citizens desperately needed their aid. However, Dr. Rush's experience shows that volunteers can also inadvertently do harm while trying to do good, for when someone acts voluntarily, as did Dr. Rush, he also acts without oversight. Sometimes, in their zeal to help, volunteers can actually make a bad situation worse. The Free African Society provides a sad illustration of how society often undervalues services, however heroically provided, that are given for free. In spite of their selfless service during the crisis, once the crisis passed, white Philadelphians showed precious little gratitude (Powell, 1993).

In 1769, Dartmouth College was founded for the education of Native Americans by Congregational minister Reverend Eleazar Wheelock. The college was an extension of his school in Connecticut, which educated Native American children. Dartmouth is named in honor of William Legge, the Second Earl of Dartmouth, in honor of his support to Reverend Wheelock (Dartmouth, n.d.).

Dartmouth played a central role in the evolution of the American nonprofit sector through the pivotal Dartmouth College case, argued before the U.S. Supreme Court in 1819 by Daniel Webster. Prior to this case, little distinction was drawn in U.S. laws between public and private institutions. Both Harvard and Dartmouth colleges had close ties to their respective states, and public officials sat on the governing boards of both colleges. Partisan politics began to encroach on the governance of the colleges, and eventually, Governor William Plumer of New Hampshire attempted to place the college directly under the control of the state government.

Dartmouth argued that the college was a private entity and that there was an important distinction between public and private organizations. The college's position was that it was a private charitable trust supported by private donations. The question before the Supreme Court was whether laws protecting contracts applied to Dartmouth because the college's property was private and it was a private corporation.

Neem (2003) writes:

> [Chief Justice John] Marshall had little doubt that Dartmouth's charter was a contract that vested private property rights in its trustees. "This is plainly a contract to which the donors, the trustees, and the Crown (to whose rights and obligations New Hampshire succeeds) were the original parties." He continued, "it is a contract on the faith of which real and personal estate has been conveyed to the corporation." Marshall explained that "in every literary or charitable institution, unless the objects of the bounty be themselves incorporated, the whole legal interest is in trustees and can be asserted only by them." Thus, the Board of Trustees had the same legal capacity to take and to use property as any natural person, limited only by the terms of the charter and the gift. This decision clarified the ambiguous status of charitable corporations by embracing the Federalists' definition. A corporation, Marshall asserted, must be considered "an artificial being." (p. 353)

This lawsuit established, very early in the history of the nation and its law, that there is a sphere or sector in the United States where private organizations can exist outside of the control of government and that these organizations have many of the same rights as people.

Because of the Dartmouth case, characteristics of our modern nonprofits find a legal basis. Nonprofit organizations can own property; they can sue and be sued; their trustees are the legal person with specific fiduciary duties such as loyalty to the organization and care in implementing their work.

In 1776, the new nation was born. Enshrined in the founding documents were two key sections related to the role of charitable organizations: the Preamble to the Constitution and the Bill of Rights (ratified in 1791). Founding director of the Independent Sector and Medal of Freedom winner Dr. John Gardner, in a 1992 interview, provided the story of the genius of the Preamble to the Constitution. He states:

> When Gouverneur Morris, one of the signers of the Constitution, one of the framers, was asked to prepare a clean copy of the proceedings, he wrote the preamble and he sat down and wrote these words: "We the People of the United

> States." Quite surprising to many people. Some delegates did n't like it. Patrick Henry objected. He said what it should say is: "We the assembled delegates of Massachusetts Bay Colony, Virginia, New Jersey, etc." But most people were thrilled, thrilled at the idea that the new nation would base its legitimacy on the people.
>
> In Europe, the phrase just ran like wild fire through informed circles. And many Europeans, weary of monarchs, were not only thrilled but astonished that a new nation would be so bold as to find its legitimacy in that phrase.
>
> Now, unfortunately, a lot of Americans have forgotten what the phrase means. The phrase was not "We, the govern ment," or "We, the powerful," or "We, the experts;" just "We, the People." Us, all of us. (Learning to Give, n.d.)

Dr. Gardner was highlighting this aspect of democracy, that the legitimate authority arises from the people themselves; and they consent to be governed rather than having government imposed on them. This precept of where the authority in a democracy lies also means that whatever power isn't specifically given to government by the people in the country remains with the people. Nonprofit organizations are an organizational vehicle in this private (nongovernmental) sphere where people can use this power to achieve charitable goals and meet human needs.

In the Bill of Rights, particularly the First Amendment, the Constitution explicitly states the rights of citizens in the United States.

> **Freedoms, Petitions, Assembly**
>
> Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press, or the right of the peo ple peaceably to assemble, and to petition the Government for a redress of grievances.

The First Amendment becomes real in the United States when the nonprofit, voluntary sector provides the arena for exercise of this freedom. Half of the health care, nearly half of the education, most of the social services, nearly all of the arts and culture, and all of the religious life in America is carried out in the private nonprofit sector. Advocacy organizations are a part of the nonprofit sector; they both protect the right to free speech and speak on behalf of the powerless. When people peaceably assemble it is through voluntary association, often organized for the purpose of providing service to the community. As individuals or groups see a problem in their community, one of the first steps is to organize themselves, and when they have an idea on the solution they would like to see, they petition government for assistance.

With this legal status secured, one of the essential roles of the nonprofit sector is to provide a vehicle for minority voices to be heard and to advocate for social change. Residing outside of government, individuals can organize themselves to promote their ideas until the majority of the population agrees and the change they desire occurs. One option for individuals and groups with a considered social position is to engage in civil disobedience. This is a conscious and moral decision to break what is considered to be an unjust law, with the willingness to go to jail for confronting injustice. This is an extreme form of peaceful advocacy, which can occur when free people organize themselves.

Such an example of civil disobedience within the civil society sector but outside of the government began early in the 19th century with the work of the volunteer conductors and safe houses of the Underground Railroad. Confronting the evil institution of American chattel slavery, the Underground Railroad was a volunteer effort that freed an estimated 100,000 enslaved people between 1810 and 1850 by moving them north (National Underground Railroad Freedom Center, n.d.).

The Underground Railroad is estimated to have begun in 1780. While not a formalized organization, the railroad was a volunteer network that guided fugitives as they moved from one local community to another.

Individuals donated money to provide clothes and supplies for the runaways and to help support the conductors. Groups organized to raise private donations were called vigilance committees. These committees also provided food and shelter. The Quakers were among the early groups calling for the abolition of chattel slavery, and these abolitionist associations advocated for changes in the laws. Once out of enslavement, the African Americans and those who supported their freedom developed mutual aid societies to help others in need (Thompson, 2004).

By 1835, the nonprofit sector in the United States had grown considerably in scope and scale. A Frenchman visited the United States and wrote a remarkably perceptive two-volume book of his insights about America. *Democracy in America* by Alexis de Tocqueville (1967) is one of the indispensable classic works describing the United States. In Chapter 5, Tocqueville describes in detail both the prevalence of the nonprofit sector and the political theory he believes supports this very American set of institutions. Chapter 5 is titled "Of the Use Which the Americans Make of Public Associations in Civil Life." His words deserve to be quoted in some detail as he describes this important and distinctive characteristic of the United States.

Tocqueville focuses this section of his analysis on associations formed in "civil life." He writes:

> Americans of all ages, all conditions, and all dispositions con stantly form associations. They have not only commercial and manufacturing companies, in which all take part, but associa tions of a thousand other kinds, religious, moral, serious, futile, general or restricted, enormous or diminutive. The Americans make associations to give entertainments, to found seminaries, to build inns, to construct churches, to diffuse books, to send missionaries to the antipodes; in this manner they found hospitals, prisons, and schools. If it is proposed to inculcate some truth or to foster some feeling by the encour agement of a great example, they form a society. Wherever at the head of some new undertaking you see the government in

> France, or a man of rank in England, in the United States you will be sure to find an association. . . .
>
> I have since traveled over England, from which the Americans have taken some of their laws and many of their customs; and it seemed to me that the principle of association was by no means so constantly or adroitly used in that country. The English often perform great things singly, whereas the Americans form associations for the smallest undertakings. It is evident that the former people consider association as a powerful means of action, but the latter seem to regard it as the only means they have of acting.
>
> Thus the most democratic country on the face of the earth is that in which men have, in our time, carried to the highest perfection the art of pursuing in common the object of their common desires and have applied this new science to the greatest number of purposes. Is this the result of accident, or is there in reality any necessary connection between the principle of association and that of equality? (p. 128)

Tocqueville then continues a discussion of power and how individuals in a democracy use voluntary association to accomplish their goals. In other countries, individuals with power can require compliance while in a democracy people with equal power must work together. He continues:

> As soon as several of the inhabitants of the United States have taken up an opinion or a feeling which they wish to promote in the world, they look out for mutual assistance; and as soon as they have found one another out, they combine. From that moment they are no longer isolated men, but a power seen from afar, whose actions serve for an example and whose language is listened to. . . .
>
> Nothing, in my opinion, is more deserving of our attention than the intellectual and moral associations of America. The political and industrial associations of that country strike us forcibly; but the others elude our observation, or if we discover them, we understand them imperfectly because we have hardly ever seen anything of the kind. It must be acknowledged, however, that they are as necessary to the American people as the former, and perhaps more so. In democratic countries the science of association is the mother of science; the progress of all the rest depends upon the progress it has made.
>
> Among the laws that rule human societies there is one which seems to be more precise and clear than all others. If men are to remain civilized or to become so, the art of associating together must grow and improve in the same ratio in which the equality of conditions is increased. (Tocqueville, 1967, p. 133)

In 1829, another notable European provided a major gift to the United States. James Smithson, a British scientist, gifted his estate to the United States, should his nephew die without heirs. His will reads in part:

> In the case of the death of my said Nephew without leaving a child or children, or the death of the child or children he may have had under the age of twenty one years or intestate, I then bequeath the whole of my property subject to the Annuity of One Hundred pounds to John Fitall, & for the security & payment of which I mean Stock to remain in this Country, to the United States of America, to found at Washington, under the name of the Smithsonian Institution, an Establishment for the increase & diffusion of knowledge among men.

The gift was received when President Andrew Jackson informed Congress of the bequest. The estate was equal to 100,000 gold sovereigns and is estimated to be valued at more than $500,000. In 1846, President James Polk signed legislation establishing the Smithsonian Institution.

As the United States struggled through the Civil War, President Lincoln signed into law the creation of the United States Sanitary Commission, providing for thousands of women to work in cities across the northern states to help stop disease and raise money for the war effort.

The idea of the Sanitary Commission came from the leadership of the Women's Central Association of Relief and their supporters, who had observed the successful efforts of the British Sanitary Commission during the Crimean War.

Women volunteers raised millions of dollars, provided food, sewed, and worked in the kitchens in support of the federal army. Ladies aid societies developed across the North and provided services that the government could not

Summary

This chapter ends with the start of the Civil War. Building on the traditions of Western civilization, as articulated in the teaching of Aristotle and Plato, moving to the leadership of Queen Elizabeth I in passing laws to take care of the poor, to the establishment of a new nation and the flourishing of voluntary associations, this period of history framed the nonprofit sector we know today.

As a nonprofit leader, it is important to understand the history and the theory behind the development of this special sector of society. Knowledge of the history will help nonprofit leaders defend the role of their organizations as independent of government. Knowledge of history will provide insight into the interactions of charity with its religious basis, focused on individual relief, and philanthropy, with its secular focus on changing social systems. The tension that sometimes exists in nonprofits between their service and their advocacy roles relates back to this ongoing insight on the two intertwined themes of religion and civil society.

Across time, a number of events, large and small, have shaped the sector. A few of those critical events and examples of the role of volunteers, advocacy groups, and major gifts have been introduced as a first step toward deeper understanding of the sector.

John Gardner concluded an interview on philanthropy with a note about what he would like his grandchildren to know about the nonprofit sector. His comments provide a fitting conclusion to this chapter.

> I'm going to go way back to basics. I want my grandchildren to know their history, the history of their culture, the history of their religion, the history of their kind of people, the history of the various cultures which impinge on our culture or have been assimilated within our culture. I want them to know the long road that humans have traveled to get where they are now. All the glorious victories and all the dreadful defeats and

the grandeur and the misery that is the human story. I want them to know that it's there and they're a part of it. I want them to feel very deeply their commitment to this. I want them to understand that history has a lot of chapters and they're going to have to write the next chapter. And it matters deeply how they do it. Not to carelessly throw away freedoms that their forbearers won in hardship and suffering; not to fail in the trust that we've placed in them to write that next chapter. That's what I want my grandchildren to understand. And if they understand that they will find the non profit sector a very fruitful way to pursue some of those goals. (Learning to Give, n.d.)

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History of Nonprofit Leadership in the United States

From the Civil War to the Great Depression

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Many nonprofit and philanthropic organizations of the 21st century can trace their foundational roots to the early years of the Pilgrims of Plymouth, Massachusetts. A mere 16 years after their arrival, a young minister, John Harvard of Charlestown, bequeathed his library collection and half of his estate to the Great General Court of the Massachusetts Bay Colony. The court promptly voted to name the new learning institution Harvard College. Established in 1636, this was the first American organization to initiate a fundraising campaign (Bellas, Lenger, Murphy, & Solomita, 2004; Grimm, 2002; Hall, 2003; Hammack, 2002; National Philanthropic Trust, 2007; Neem, 2003).

With this initial leadership of benevolence began the rich and diversified history of American humanitarian, benevolent, and philanthropic organizational practices. Today, these practices are called nonprofits or nonprofit organizations. Indeed, no other country then or since has engaged in the unique and empowering development of human and social benevolence. In the formation of the United States as a republic, the legitimacy of nonprofits finds its origin in the founder's ideologies. With philosophies based on the Roman republic, sovereignty principles, civic humanism, and independence, the framers of the Constitution envisioned a republic united with, for, and by the people. With this ideology, the founders introduced the design of federalism and "created a *novus ordo seclorum*: a new order of the ages" (McDonald, 1985, p. 262).

By design, benevolent associations in American culture stem from this very ideology. Such associations are not simply the means to independent and predetermined ends. Rather, as early American society evolved, benevolent associations shaped and transformed public goals and needs. The freedom to create such charitable and benevolent associations influenced the developing democracy and has had a long-standing influence on the U.S. model of civil society for the world.

Famed observer and historian Alexis de Tocqueville identified the apparent propensity of Americans to form social associations built on common objectives and goals toward the common good. In the now classic work, *Democracy in America,* published in 1835, Tocqueville was astonished at the social and cultural American benevolence. Indeed, the inclination of Americans to "make associations to give entertainment, to found seminaries, to build inns, to construct churches, to diffuse books, to send missionaries" and establish all manner of hospitals, prisons, and schools was unheard of in his travels (Heffner, 1956, p. 198). Thus, these early days of nationhood indicated the American propensity toward humanitarian and benevolent activities.

Volunteerism and charitable actions were also observed by Tocqueville, who "admired the extreme skill with which the inhabitants of the United States succeed in proposing a common object to the exertions of a great many men, and in inducing them voluntarily to pursue it" (Heffner, 1956, p. 198).

Such engagement in activities created a thriving set of voluntary organizations throughout the Age of Expansion and Sectionalism in the years preceding the Civil War.

This chapter will identify and explore the leadership and organizational expansion of nonprofits in the 65 years between the end of the Civil War and the start of the Great Depression. Beginning with the period of Reconstruction, a time of healing for a battered nation, American benevolent ideology and practices will be explored. Then, the enrichment of culture known as the Gilded Age will be seen through the surge of philanthropic expressions. Last, the movements that dominated the early 20th century through feats of flight, science, and a world war to the start of the Great Depression will be seen through the lenses of philanthropy, benevolence, and charity.

Reconstruction, 1865–1876

The development of charitable organizations thrived throughout the Age of Expansion (1830–1860), as the United States took great westward leaps through land purchases, occupation, and a transcontinental railroad infrastructure. In the process, a distinction between a public service and a member or group service was established (Salamon, 1992). Those organizations with public-serving identities included educational and religious associations such as schools and churches. Member-serving organizations were geared toward filling the gap, particularly where state and federal social welfare was either lacking or insufficient. Such organizations were able to provide services better and more efficiently due to their well-established organizational structures, long-standing aid programs, and narrow service areas. Member-serving associations were focused on mutual benefits for members. These associations were popular among fraternal and civic groups including labor and agriculture, banking, and insurance companies. Indeed, with fear of possible revival of a monarchy rule or bureaucratic establishment, many Americans were more comfortable with these types of nongovernment organizations (Arnsberger, Ludlum, Riley, & Stanton, 2008; Neem, 2003; Salamon, 1992). As such, Americans favored charitable organizations over government-led programs and were more likely to be highly charitable.

At the beginning of the Civil War, Abraham Lincoln established the U.S. Sanitary Commission (1861). Its primary function during the war was to support sanitary, welfare, and health conditions in Union Army camps (Attie, 1998; Giesberg, 2000; Goodwin, 2005; Hammack, 2002). Lincoln believed that the commission should "at all times, be ready to recognize the paramount claims of the solider of the nation, in the disposition of public trusts" (Goodwin, 2005, p.703). Organizers of this volunteer group were high-society women of the Women's Central Association of Relief of New York City. Women volunteers supplied nursing services in field and ship hospitals, ran kitchens, and organized medical services. Despite cynicism from government officials, military surgeons, and physicians, the women raised $20 million toward goods and funds for the Union Army. Following the war, this official yet voluntary agency linked disabled veterans with government jobs, endeavored to secure bounty and back pay, and helped veterans apply for pensions (Attie, 1998; Giesberg, 2000; Ginzberg, 1990; McCarthy, 1991). Although the commission was disbanded in 1866, it is considered the forerunner of the American Red Cross (1900).

Among the thousands of women who provided comfort and medical support to Union soldiers was Clara Barton, an innovative and humanitarian leader of the period. With strong and fervent religious beliefs, Barton was a pioneer of war-related benevolence. She is considered a crucial leader during the Reconstruction period. Organizing many postwar activities including the search for missing soldiers, Barton connected with a number of period leaders including Susan B. Anthony, which amplified her work with the women's suffrage movement. Such activist endeavors, along with her wartime experience, made her sympathetic to black civil rights, linking her to abolitionist Frederick Douglass. Her years of searching for missing soldiers and her work during the war were physically wearing, and in 1868, on her physician's advice, she departed for a European trip. While there, Barton was introduced to the Switzerland-based International Committee of the Red Cross (ICRC), a humanitarian organization started during the Franco-Prussian War. With a refreshed and strengthened spirit, Barton returned to the United States and established a movement toward an American version of the ICRC (Attie, 1998; Eiselein, 1993).

The postwar American consensus was that the country would never again engage in war. Barton thus faced resistance when seeking funds and supporters for her organization, even though its framework would suit both wartime and peacetime conditions. Through three presidential administrations and nearly 12 diligent years, Barton appealed for a humanitarian organization that could respond to crises regardless of war or battle. In 1881, after obtaining secured funding and presidential approval from Chester Arthur, Barton and financial supporters incorporated the American Association of the Red Cross. The association later became known as the American National Red Cross (1893); congressional charters (1900 and 1905) served to validate the working partnership between the federal government and the American Red Cross (ARC) during national disasters.

For more than 20 years, Barton served as president of the organization; she resigned in 1904. Yet not hampered by age, Barton at 83 refocused her attention to other movements and interests, including establishing the short-term National First Aid Association of America, where she served for 5 years. The organization was geared toward providing first aid instruction, assembling first aid kits, and ensuring emergency preparedness. Although Barton had introduced these programs prior to her retirement from the Red Cross, that organization did not incorporate these practices as a standard of health and safety programs until several years after her death in 1912.

Foundations

Postwar Reconstruction society saw a surge of nonprofit organizations, many of which continue to play key roles today. Numerous corporations, companies, and associations organized to conduct benevolent or charitable services for religious, educational, fraternal, or land preservation purposes. Other models of postwar organizational reform include foundations, having a distinction as either private (individually or family funded) or public charities (community or group funded) and philanthropic organizations (Burlingame, 2004). The driver of these foundations is found in the federal government initiative to protect the interests of black citizens emancipated from slavery. While the South found its economy and infrastructure in dire ruin, the North was tasked with the formidable task of stitching the Union back together (Blay, 1960; Dowie, 2001; Powell & Steinberg, 2006).

The 3.5 million new citizens emancipated from slavery found themselves in a sea of desolation and dejection. Most were untrained, uneducated, unemployable, and practiced only in the plantation system. Emancipation placed the black, formerly enslaved people, in a condition between freedom and uncertainty. The federal government was in a crisis after Andrew Johnson succeeded the assassinated Abraham Lincoln, and lack of leadership may have contributed to the ultimate failure of the Reconstruction period (Blay, 1960). The U.S. Bureau of Refugees, Freedmen, and Abandoned Lands (more popularly known as the Freedman's Bureau), established near the end of Lincoln's lifetime, was intended to last for one year following the end of the war, with the purpose of providing aid to refugees and people emancipated from slavery. Due to the enormity of the new social class of citizens emancipated from slavery, the Freedman's Bureau operated until 1872 in its quest to procure transitional aid and prevent exploitation of impoverished blacks (Powell & Steinberg, 2006). Yet, the Freedman's Bureau—the first welfare agency, but lacking adequate funding and skilled staffing—could not accomplish its objectives of building hospitals and schools or rendering medical assistance without the help of private philanthropic foundations.

Despite the lack of government efficiency and the failure of federal Reconstruction efforts, Americans staunchly embraced the democratic value of the common good. This benevolence toward community aid was a powerful impetus that propelled the voluntary and philanthropic movement. Initially, some foundations were created to provide a source of education for those emancipated from slavery. However, some early foundation funds were created for the specific purpose of education of all, without distinction of race or creed. Established foundations include Amos Kendall and Edward Miner Gallaudet University for the deaf and hard of hearing (1864), the Peabody Fund (1867), the John F. Slater Fund (1882), and later the John D. Rockefeller General Education Board Fund (1903) (National Philanthropic Trust, 2007; Powell & Steinberg, 2006).

Considered the first modern fund, the Peabody Fund was designed to provide financial support for educational construction, scholarships, teachers, and industrial education for newly emancipated people. George Peabody (1795–1869), merchant investor, banker, and philanthropist Peabody entrusted generous sums for the benefit of those afflicted after the Civil War (Peabody, 1862). The fund included a provision to encourage the establishment of free education as part of a state system (National Philanthropic Trust, 2007; Roelofs, 2003).

Religious Organizations

Blacks emancipated from slavery also turned for help to the tolerant and welcoming practices of church organizations. Protected by the First Amendment of the U.S. Constitution through separation of church and state, and resonating with the heritage of many of the people coming out of enslavement, churches offered southern blacks opportunities for civic engagement, political activity, and a safe platform for political leadership. By 1870, the United States was home to 72,000 churches and temples, including Methodist, Baptist, Presbyterian, Catholic, and Jewish congregations, with the majority of faiths being Protestant (Blay, 1960). The Protestant elite, however, sought to restrain both Catholics and Jews by limiting admission to higher education, as well as law and medical schools. Alternatively, both Catholic and Jewish nonprofits challenged the long-standing Protestant elite by instituting and building their own parochial schools, universities, hospitals, social welfare agencies, and other philanthropic organizations (Powell & Steinberg, 2006).

Religious organizations could operate outside the scope of state and federal boundaries. A few benevolent and philanthropic leaders understood the social coin had two sides, on one the few rich, and powerful, and on the other, the many poor and powerless. In New York, Boston, and other large East Coast cities, poor families lived in substandard housing and tenements lacking running water, heat, and lighting; those who could not pay the rent were relegated to the outdoors. The homeless living in crowded slums were subject to many rampant diseases, including cholera, scarlet fever, smallpox, typhoid, and tuberculosis, thus creating a health and safety epidemic (Blay, 1960; Dowie, 2001). By the 1890s, many church groups, welfare agencies, and political organizations were devoted to the problem of poverty and dependency. The focus of these nonprofit organizations was not simply to provide aid but also to improve the conditions and perhaps eliminate the causes that created poverty.

One of the vociferous voices of the Reconstruction was that of Henry Ward Beecher, minister of the Plymouth Congregational Church in Brooklyn, New York. Beecher was a notable orator who spoke from the pulpit on behalf of social reform, emancipation, and women's rights. He inspired his congregation to take to the streets against bigotry and slavery and on behalf of temperance and women's suffrage. News of Beecher's sermons led him to the lecture circuit, furthering his advocacy agenda in packed churches and universities (Applegate, 2006). Thus, the voices that stimulated the populace were those that comforted and consoled while at the same time rousing the public to social equity, humanitarianism, and benevolence toward a variety of causes both social and political.

The Gilded Age, 1876–1900

Efforts to reconstruct the 11 states in the Confederacy were left to state and federal governments. Through constitutional amendments and a variety of legislative reforms, most civil programs were adopted as the nation swept into the Gilded Age. Following the Reconstruction period, an era of massive change brought the nation to life. Writers of the period such as Walt Whitman and Mark Twain wrote of the tidal wave of change as the coasts were linked by five transcontinental railroads and the frontier reached the Pacific. Mark Twain and Charles Dudley Warner coined the period's name in their book *The Gilded Age: A Tale of Today* (1873) (Bartlett, 1969). These writers also noted that the social elite and wealthy were polarized from the ethnically diverse working-class during the Industrial Revolution. Indeed, the upper class's show of opulence and self-indulgence was in many cases excessive and wasteful (Blay, 1960).

The burgeoning wealthy class set new standards for the nation with extravagant displays of wealth and excess. Their wealth gave rise to a new kind of benevolence. American philanthropy became the rage for the upper class. As businesses and entrepreneurs accumulated riches through new industries, factories, and financial manipulations, the powerful who controlled the nation's finances began to share their wealth. Andrew Carnegie, Henry Flagler, J. P. Morgan, John D. Rockefeller, and Cornelius Vanderbilt were among the many prosperous industrialists and bankers to endow funds for colleges, academic institutions, public libraries, museums, hospitals, art and music foundations, and other charities. As a generation, they established some of the large, endowed, grantmaking foundations that continue to benefit society to this day.

Of these, Andrew Carnegie (1835–1919) was the most articulate in recognizing the conditions that had made possible his accumulation of wealth and power (Powell & Steinberg, 2006). In his essay, "Gospel of Wealth," published in 1889, Carnegie laid out his belief that the wealthy were responsible to use their fortune not only for their families but also for the society that had generated their fortune. Indeed, Carnegie believed in recirculation of funds to sustain the greater good. Yet, Carnegie also believed that simply bequeathing one's fortune to charity was irresponsible. Thus, he encouraged the formation of philanthropic organizations where the benefactor could retain direction of funds. This was better, he thought, than charitable giving because the latter would simply sustain the poor in their impoverished condition without offering opportunities to better themselves. Carnegie encouraged a movement to create opportunities for future beneficiaries yet retain control of how funds were to be spent.

Social Welfare

As the century drew to a close, a new fervor of humanitarian activity began to take shape. A significant number of Americans continued to dedicate themselves to benevolent activities, the majority of which were geared toward social reform. An increasing number of dedicated women and men were displaying a social conscience regarding the care of the financially indigent, mentally disabled, and wayward young (Powell & Steinberg, 2006).

Reform ideals of social services provision were set in motion by religious nonprofits such as the Salvation Army, founded in 1865 by William Booth. This organization launched rescue missions in large cities such as New York and Boston, flooded with European immigrants from Germany, Ireland, and Italy. Other urban-based religious organizations expanded their social ministries to serve the growing number of poor within city limits. Not to be outdone, university-based religious organizations such as the Phillips Brooks House at Harvard (1893) jumped into the movement by sending students to support social action and provide public service. This experience provided vital community engagement and led students toward volunteer social services and activism. Social services and inclusion were also promoted by another religiously based university organization, the Young Men's Christian Association (YMCA), founded by Dwight Hall at Yale. This nonprofit sought to create civic leadership through social justice concerns, the promotion of public service, and activism (Powell & Steinberg, 2006).

Such activism and reform were common among the middle class as well as the elite. Having played a major role throughout and following the Civil War, women continued their contribution to social services and welfare through any number of growing charitable and social welfare organizations. Indeed, women proved to be an important and integral source of support as new forms of activism began to flourish. Women of the late 19th century became increasingly educated, especially within traditional higher education systems (Blay, 1960; Klenke, 1996; McCarthy, 1991).

Whereas the East Coast was home to many white males-only educational institutions, the Midwest had a growing number coeducational institutions, particularly following the Morrill Act of 1862, which gave states large tracts of land to endow colleges toward engineering and agricultural disciplines. The Morrill Act opened a floodgate of higher education, including colleges for women only and blacks only. The need for advanced education was clear as the country moved out of the Industrial Revolution and into science, business, fine arts, engineering, public management, education, liberal arts, and law disciplines. Midwest colleges of the period include Oberlin College in Oberlin, Ohio, Carleton College, Texas Christian University, and the University of Iowa, which was the first state university. Notable and prestigious women's colleges of the period include Vassar College, Radcliffe College, Wellesley College, and Bryn Mawr College. On the West Coast, Stanford University was established in 1885 with a large endowment including 8,000 acres of land from Leland Stanford, railroad magnate and governor of California (National Philanthropic Trust, 2007).

Charitable funds and endowments for higher education became embedded in the fabric of American benevolence. The need for higher education was underscored by the "increasingly dense and complex network of organizations including business corporations, charitable and cultural institutions dependent on [universities] for technology, expertise, professional and scholarly societies." Furthermore, "book and periodical publishers sought to disseminate the scholarship of their faculties, while trade associations and groups advocating social and economic reform" sought to translate studies and results into policy (Powell & Steinberg, 2006, p. 45).

However, women of the Gilded Age continued to be deprived career opportunities, the right to vote, and ability to own property once married. Driven by international support for the ideals of women's suffrage, the United States experienced a surge of nonprofit organizations aimed at the reform of women's rights. With vigorous voices, spirited feminists such as Victoria Woodhull, Carrie Chapman Catt, Elizabeth Cady Stanton, and Susan B. Anthony took their cause to the streets, the newspapers, and their state and federal legislators. The Nineteenth Amendment to the Constitution was passed in 1920.

Science and the Environment

Other humanitarian causes of the Gilded Age that transformed practices and established patterns of action include nonprofits for land preservation and for animal protection, establishing patterns of action still practiced today. The first philanthropic land preservation was Yellowstone National Park. After the Civil War, the area was explored by several government and privately sponsored expeditions. Initially, these Wyoming lands were to be publicly auctioned. However, based on a report by explorer F. V. Hayden, head of the U.S. Geological Survey of the Territories, Congress withdrew the region from the sale registry. In 1872, President Ulysses S. Grant signed the Yellowstone National Park bill into law, thus creating the first national public park.

The land was overflowing with buffalo, mule, deer, elk, and antelope, along with natural geysers, ecosystems, forests, and grassland. However, uncontrolled poaching and vandalism was causing destruction of the natural resources and creating harmful conditions for endangered or threatened wildlife. To stop the continued and unabated destruction, publisher and naturalist George Bird Grinnell and General Phillip Sheridan, commander of the U.S. Army, began a charitable crusade to garner financial support to fight against the indiscriminate slaughter of wildlife. Along with Theodore Roosevelt, General William Sherman, and Gifford Pinchot, Grinnell founded the Boone and Crocket Club (1895), which focused on wildlife preservation and land conservation. In 1894, President Grover Cleveland signed a law protecting park wildlife.

Modeling the same beliefs that motivated Grinnell, John Muir advocated the preservation of all American wildernesses, not just that of Yellowstone. He petitioned Congress to make Yosemite in California a national park to protect the land from the damage being caused by livestock. His many writings about the Sierra Nevada region were influential in moving Congress to make Yosemite and Sequoia valleys national parks. Exemplifying the very nature of conservationism, ecology, and environmental consciousness, Muir founded the Sierra Club in 1892. As a grassroots environmental nonprofit, the Sierra Club seeks to protect wildernesses, promote responsible use natural resources, and protect the quality of the environment for man and nature (National Philanthropic Trust, 2007).

Currently the largest nonprofit scientific and educational institution, the National Geographic Society was founded in 1888 by a group of dedicated explorers and scientists seeking "the increase and diffusion of geographic knowledge" (National Philanthropic Trust, 2007). The National Geographic Society is best known for its high-quality magazine, however, its goal then and now has been to advocate and inspire care for the environment. The society has grown from 200 charter members to more than 9 million members. Grants and funds raised have served to endow explorations, expeditions, education, and conservation efforts worldwide. The society has created additional nonprofit sections within its operations, including the Education Foundation, Conservation Trust, and a Research and Exploration Council (National Geographic Society, 2010).

Robber Barons

Business magnates of the Gilded Age were innovative industrialists, bankers, and businessmen whose names are synonymous with affluence. However, they obtained their wealth by what today would be called unfair business and labor practices. Indeed, so-called robber barons or industrial barons seem to dominate the late 19th century. Nevertheless, such enormous wealth also created the large philanthropic nonprofits of the Gilded Age. The factories, industrial towns, railroads, oil, coal mining, and banking organizations gave the industrial barons the financial fuel they needed to generate their wealth. Yet, those same barons turned some of their wealth back into society by creating generous American philanthropic endeavors. At the time, many Americans considered the practice countercultural and somewhat outrageous (Burlingame, 2004; Dowie, 2001; Hammack, 1998). Why would men of wealth want to give away their money for the public good? American philanthropists did so to focus on improving the quality of life for fellow citizens rather than simply contributing money to sustain the impoverished.

Andrew Carnegie, who was among the first to share his wealth, believed that "the best means of benefiting the community is to place within its reach the ladders on which the aspiring can rise" (quoted in Powell & Steinberg, 2006, p. 46). Carnegie encouraged his counterparts to be wise in their decision making by persuading them to be stewards of the funds they bequeathed to their philanthropic ideals. It is important to clarify that these charitable foundations were subject to taxation until federal legislation brought tax relief to personal giving. The Revenue Act of 1909 granted a tax exemption to "any corporation or association organized and operated exclusively for religious, charitable, or educational purposes, no part of the net income of which inures to the benefit of any private stockholder or individual" (Arnsberger et al., 2008, p. 107).

The industrial barons launched a long and deep history of philanthropic activity in America. Of the 20 industrial barons, a few initiated philanthropic activities in the Gilded Age. In 1884, John D. Rockefeller, Standard Oil magnate, funded Atlanta Baptist Female Academy, a black women's college commissioned to provide education for black women emancipated from slavery. The school was renamed for Rockefeller's in-laws, who were staunch abolitionists. In California, Leland Stanford, railroad magnate, wanting to memorialize his beloved son, donated land and funds to start a new nontraditional coeducational university. Andrew Carnegie, steel magnate, began his philanthropic activities in 1889 with a charitable donation to build the first free library in Braddock, Pennsylvania. Although a free public library is taken for granted today, such an idea was revolutionary in the 19th century. Most citizens did not have free access to education, let alone educational materials.

The 35 years of the Gilded Age were a time of tremendous transformation at every level of government and society. This era was the gateway to patterns of action and behavior that continue to influence society today. Politics were "considered a matter of Tweedledum and Tweedledee (Republicans and Democrats both essentially alike) and foreign relations were thought to be minor and unimportant" (Bartlett, 1969, p. 1). Despite the complicated revolutions within society and government, the Gilded Age was a time of regeneration. As such, the era became the seedbed for 20th-century American exploration and discovery.

1900–1929: The Seeds of the Great Depression

At the cusp of the new millennium, the 20th century, a new world arena was charged by dynamic philanthropic changes. This was the Progressive Era, which planted the seeds of reform in areas of politics, society, modernization, corruption, constitutional amendments, and economic policy. The Progressives advocated a purification of society and politics with stringent exclusions of blacks, who were at that time illiterate, and European immigrants, many of whom did not speak English. The steps taken toward civil rights seem to have been nullified by the restrictive ideologies of the Progressives. In contrast, however, Progressives advocated women's suffrage with the belief that a "pure" female would better serve political deliberation (Bergman & Bernardi, 2005; Ginzberg, 1990).

The Progressives also intended to settle the score with the industrial barons, who controlled such extraordinary wealth. Theodore Roosevelt, an advocate of the Progressive movement, argued that "the essence of the struggle is to equalize opportunity, destroy privilege, and give to the life and citizenship of every individual the highest possible value both to himself and to the commonwealth" (Howland, 2001). Congress helped to support the movement through tax legislation such as the Revenue Act of 1909 and 1913, which established the modern income tax system and regulated charitable organizations so they could not be used by the wealthy as a means to avoid taxable income (Arnsberger et al., 2008, p. 107).

The Progressive Era

Aware of the Progressive movement, the industrial barons did not oppose its ideals. Rather they embraced its functionality against the abuse and waste of resources in society. Strong political proponents of the movement, however, had the ear of President Theodore Roosevelt (1901–1909), who was a vocal but cautious reformer. Roosevelt was an advocate of the natural environment, having been a naturalist, hunter, explorer, and soldier. He promoted regulation of interstate commerce, spoke out against trusts, and passed legislation for the conservation of natural resources. He further criticized the "malefactors of great wealth" while demanding increased regulation of business to support labor (Howland, 2001).

For the industrial barons, these Progressive principles were the motivating factors to substantiate the reasons for trusts and foundations. Nevertheless, the new century was filled with new philanthropic causes and opportunities.

The idea of a grantmaking foundation was developed by Andrew Carnegie, who sought to create a permanent endowment with expansive purposes such as reforming social and economic life. Although Congress would not give Carnegie or Rockefeller a charter for their philanthropic organization, the New York State Assembly was willing to approve the charters needed to create trusts and foundations. Once Carnegie obtained charter registry, he established several innovative foundations. Between 1900 and 1911, Carnegie launched three foundations: the Foundation for the Advancement of Teaching (1905), the Endowment for International Peace (1910), and the Carnegie Corporation of New York (1911) (Powell & Steinberg, 2006). Although Carnegie had stated in his treatise, "Gospel of Wealth" (1889), that philanthropists should be stewards of their wealth to decide specifically how best to use endowments, his foundations of the early 20th century were more open-ended in purpose. Furthermore, the trustees had a great deal of autonomy on how the funds should be spent.

In 1907, the Russell Sage Foundation was established as the first private family foundation. The intent of the foundation was "the improvement of social and living conditions in the United States" (National Philanthropic Trust, 2007). Among other goals, the foundation's initiatives were to help resolve problems of the indigent and elderly and to develop improved conditions for hospitals and prison. The Russell Sage Foundation is considered the first modern foundation because it merged grantmaking with sustained and active participation in its initiatives. The Russell Sage Foundation was both pioneering and innovative. First, at a time when nonprofits tended to be geared toward specific societal needs, the scope of the Russell Sage Foundation was both wide-ranging and national. Second, the $10 million endowment was on a scale of generosity most citizens had never envisioned. Up to this point in American philanthropic action, no one, not even Rockefeller or Carnegie, had contributed this remarkable amount. Finally, the creator was not only a visionary but also a woman. Margaret Olivia Sage, second wife of railroad magnate and financier, Russell Sage. By her own words, she recognized that the aim of the foundation was "to take up the larger and more difficult problems, and to take them up so far as possible in such a manner as to secure co-operation and aid in their solution" (Russell Sage Foundation, 2007, p. 2). Indeed, her aspirations were to seek the causes of poverty, improve living conditions, and finally to alleviate poverty rather than merely provide assistance.

By the turn of the century, John D. Rockefeller was perhaps the wealthiest American, followed closely by Carnegie and J. P. Morgan. Rockefeller had created several foundations aimed at the specific areas of education, medicine, and religion, including the Rockefeller Medical Institute and the University of Chicago. His General Education Board (GEB) (1903) was by far the most comprehensive foundation geared to education. It sought to improve K–12 education for both white and black children, to contribute to agricultural studies in Boys and Girls Clubs, and to underwrite the modernization of state education systems and curricula standards (Dowie, 2001; Powell & Steinberg, 2006).

These smaller foundations provided relatively minor funding; for example, the University of Chicago endowment (1889) was only $600,000 (National Philanthropic Trust, 2007). Thus, Rockefeller created quite a social and political stir when he proposed and sought a charter for an open-ended grantmaking foundation valued at $100 million. This large-scale, unprecedented benevolence was difficult for Americans and government officials to accept. Indeed, the question was why this industrial magnate would invest such an enormous sum in an institution whose sole directive was to "promote the well being of mankind throughout the world" (National Philanthropic Trust, 2007). National news media and politicians alike denounced his attempt to gain a charter. President Theodore Roosevelt, a fervent Progressive, derided the charter, arguing, "No amount of charity in spending such fortunes can compensate in any way for the misconduct in acquiring them" (Howland, 2001).

In an attempt to appease the public and the politicians, Rockefeller suggested that the trustee appointments would require government approval, further affirming that the foundation was to serve the common good and not be self-serving. Yet nothing seemed adequate to subdue the disturbance. Finally, like Carnegie, Rockefeller turned to the New York State Assembly for approval and consent. Regardless of the public and political outcry, by 1915, the Russell Sage Foundation (1907) and the Rockefeller Foundation (1913) were becoming the most sought after and influential philanthropic institutions. Both were very different in mission from previous foundations, in that the trustees were giving wide-ranging discretion. However, the unequivocal mission was reforming social, economic, and political life.

What are now called "think tanks" began in these grantmaking foundations. Rather than political action, some foundations required the examination and study of political conditions. The outcomes and findings were made available to influential citizens, who would then share the findings with the masses as a way to bring about change. This new century model of organizational and political reform connected the expertise of business, government, professional institutions, and academics toward effective nonpartisan policy change.

Reluctant to create controversy, other philanthropists stayed away from the level of benevolence shown by Sage, Rockefeller, and Carnegie. Those who invested in foundations were cautious and stayed "under the radar" by funding noncontroversial institutions devoted, for example, to education and health care. Other philanthropists engaged intermediary institutions and provided grants to focus on public policy. Included in these nonprofit organizations were the National Research Council, the Social Science Research Council, the American Council of Learned

Societies, and the National Bureau of Economic Research Foundation (Powell & Steinberg, 2006).

By the start of America's participation in World War I (1917), numerous Progressive institutions were being endowed by philanthropic funding sources. The war seems to have increased the establishment of economic, political, and social associations committed to building a better American nation. Yet, the nation was too occupied with the war effort to be concerned with wealthy Americans creating grantmaking foundations. Thus, the controversy and concern over massively funded philanthropic charitable foundations came to an end.

By the turn of the century, most Americans accepted the ideology of the Progressive movement, proven by twice electing the movement's leader, President Theodore Roosevelt. Newspapers, politicians, and society alike accepted the Progressive ideals, which included that economic, social, and political institutions were in need of reform.

Philanthropically supported and charitable institutions continued to play key roles during the period up to and including the beginning of the Great Depression (1929). One example is the Reverend Edgar J. Helms and the establishment of Goodwill Industries (1902). As a Methodist minister, Reverend Helms envisioned a process in which used household goods and clothing from elite families of major cities could be used to begin a vocational program and nonprofit retail operation.

Court clerk Ernest Coulter believed that delinquent boys in congested cities could stay clear of trouble—and out of his courtroom—if they were mentored by responsible and compassionate adults. After seeking and obtaining volunteers, Coulter initiated the Big Brothers, Big Sisters of America.

The Hershey family of Pennsylvania (1909) used their wealth to build a home and school for orphaned boys. The Hershey Industrial School continues as a cost-free coeducational home and school for children.

In 1922, the Shriners Hospital for Children opened, with the objective of providing free medical and orthopedic care to children with crippling conditions. At the brink of the Great Depression (1929), the Capuchin Soup Kitchen opened its doors to the poor and destitute of Detroit. Serving a simple meal of soup and sandwich, the friars regularly found more than 2,000 people waiting in line. The Capuchin Society today partners with the secular Franciscan order to raise funds, collect food, and bake bread in a daily effort to ensure that everyone gets at least one meal a day.

Communities were indeed challenged by low-income neighborhoods and the need for social services and welfare. State and local government agencies were underfunded and understaffed. People in poverty and individuals experiencing mental illness were forced to seek and share limited resources. Yet, with the benevolent attitude still strong in America, the 20th century experienced a surge of nonprofit, charitable, and humanitarian organizations committed to helping those in need.

Summary

Through the Reconstruction era and the Gilded Age, America experienced a time of frontier explorations, mechanical inventions, scientific discoveries, social reconstruction, and rapid wealth creation, yet with minimal sharing of that wealth. Massive wealth overflowing for the few and privileged was juxtaposed to the critical needs of many people. This chapter has attempted to develop the cause-driven motivations for humanitarian and benevolent practices of the late 19th century. Linkages between society, lifestyles, politics, economy, social conciseness, and environmental responsibility were discussed.

The Reconstruction era led to social and charitable programs organized by people of compassion and empathy. The charitable work of nonprofit organizations, in a variety of nonprofit forms, helped to start the healing of some social wounds, and to begin to meet human needs. Those same nonprofit paradigms became models for many nonprofit organizations today.

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13

History of Nonprofit Leadership in the United States

From the Great Depression to World War II

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In many ways, the Great Depression served as the groundwork for the contemporary nonprofit sector. During this time period, the government greatly increased its role in the provision of social services in the United States. Meanwhile, nonprofits were forced to adapt their roles around a new actor. Nonprofit leaders took on greater advocacy roles within the government, and a public/private partnership was formed that lasts to this day. Knowing this history is critical in understanding why the nonprofit and government sectors interact in the way that they do today. This history also yields useful suggestions on how the sector should respond to future economic depressions or recessions, as the Great Depression itself revealed both the limits of the nonprofit sector and what actions nonprofit leaders took to break these limits in the service of others.

The Great Depression and the Beginning of the Modern Partnership Between the Government and Nonprofit Sectors

Today's provision of social services in the United States is marked by varying levels of competition and partnership between nonprofit and governmental service providers. These levels of competition and partnership are often not clearly demarcated. Indeed, even within the same sector, like education, direct assistance to the poor, and so on, government and nonprofit entities both compete and partner in the provision of services. Today, nonprofit leaders must not only ensure that their own projects are doing good work in their communities, but also be active in the governmental sphere: advocating for more or less government assistance, serving as a watchdog for government programs, and navigating their own nonprofits through the ever-changing legal and funding landscape created by changes in government public policy.

This modern environment of government-nonprofit interaction finds its roots most directly in the tumult of the Great Depression. Certainly, there were instances of government involvement in the provision of social services before Franklin Delano Roosevelt instituted his New Deal. Nonprofit groups, more commonly known at that time as voluntary or private associations, were also active in government advocacy before the Great Depression. However, no previous occasion of nonprofit advocacy or government service provision equaled the extent to which both expanded during the Great Depression.

The period encompassing the Great Depression and World War II was one predominantly characterized by increased federal government involvement in the provision of what was then called "poor relief" in the United States. Poor relief, or assistance to the poor, encompassed both gifts of cash, food, or clothing to needy families and job placement or make-work assistance. Prior to the Great Depression, much of this aid was distributed through private social work agencies, churches, and other local community organizations. However, these local organizations quickly proved no match for the economic fallout from the Depression, and, by the end of the 1930s, the federal government had become the primary provider of aid to the poor in the United States. Consequently, the period of the Great Depression was a time of transition from a poor-relief system dominated by private agencies to one characterized by extensive federal involvement.

The leadership of two presidents, Herbert Hoover (1928–1932) and Franklin Delano Roosevelt (1932–1945), especially shaped this transition. Hoover's administration placed the primary responsibility for providing relief to the poor on local community groups and state agencies. However, as the Depression worsened, it quickly became clear that private agencies, as well as state and local governments, could not adequately address the needs of their communities with the resources on hand. Local and national nonprofit leaders lobbied the government to aid private organizations and increase its public aid to the poor. When Roosevelt became president in 1932, he expanded federal welfare programs in response to public cries for assistance and, in the process, transformed the federal government into the primary provider of relief services in the United States.

Nonprofit leaders during the Great Depression had to address two predominant concerns: (1) meeting the immediate relief needs of their local communities and (2) navigating the changing public relief landscape generated by the New Deal. The first concern led nonprofit leaders to approach the federal government for assistance at the end of the Hoover administration. The second concern divided nonprofit leaders in the debate between the Hoover and Roosevelt administrations over the scope of federal assistance. Some nonprofit leaders supported a permanent and extensive federal involvement in poor relief, whereas others appreciated federal support but wanted it to be limited in scope.

The Great Depression was the most severe economic disaster the United States had ever seen. In less than 3 years from its start, a quarter of the nation's population became unemployed. Private relief agencies, which we would refer to today as nonprofit organizations, collected and distributed millions of dollars in donations and provided aid to millions of impoverished families. In this environment, nonprofit leadership was critical in providing much needed relief to Americans across the country. The Depression also changed the way private agencies and the federal government interacted with one another. By the end of the decade, with the arrival of World War II, private agencies became active partners with the federal government in relief efforts.

The Philanthropic Environment Prior to the Great Depression

For the purposes of providing perspective to the poor-relief programs of the Great Depression, it is necessary to review a few of the characteristics of pre-Depression efforts to assist the poor of the United States. The early 20th century was marked by both an increased number of formal philanthropic institutions and a greater professionalization within social service agencies.

The creation of a number of major foundations marked the first two decades of the 20th century. Philanthropists placed hundreds of millions of dollars in these endowed foundations to address a host of different public and social issues. The Carnegie Corporation (1911) and the Rockefeller Foundation (1913) focused on public education and health programs. The Russell Sage Foundation (1907) and the Commonwealth Fund (1918) promoted projects in social work and child welfare (Leiby, 1978, p. 170). Between 1920 and 1931 alone, the number of private foundations in the United States grew from 102 to 350 (Leiby, 1978, p. 170). Yet, such giving instruments were the foray of the extremely wealthy. Community chests provided opportunities for less wealthy businessmen and community members to raise money in their cities.

Community chests served to consolidate fundraising and distribution efforts in individual cities. In these organizations, a committee, often made up of local businessmen and community leaders, would organize annual funding drives that would raise money for numerous sponsored community agencies at once. Unlike community foundations, which maintained a constant fund of money from numerous givers throughout the year, community chests usually ran either an annual campaign for funding or several seasonal campaigns throughout the year. These chests were the precursors to today's United Way funding drives, and their main goals were to streamline fundraising efforts in cities while also introducing standards to determine worthy recipients for the donations. During the 1920s, community chests grew in number and popularity. Between 1919 and 1930, the number of community chests rose from 12 to 363, with their total fundraising also increasing from $14 million per year to $75 million during that same time period (Leiby, 1998, p. 173).

During the decades preceding the Great Depression, the predominantly private social work field became more professionalized. The number of social work schools in the United States increased from 5 in 1915 to 45 by 1930 (Katz, 1986, p. 209). Private organizations developed bureaucracies to cope with caseloads and improve administrative practices. Mary Richmond, a social worker and nonprofit administrator, through collaboration with the Russell Sage Foundation, laid the intellectual framework for the social work practice of *casework,* or, as she termed it, *social case work* (Leiby, 1978, p. 123). Public administration schools flourished, and major philanthropists, like Rockefeller and Carnegie, donated money to create research institutes that would investigate proper management and social work administration procedures. The Bureau of Municipal Research was one such organization, which was started with funds from both Carnegie and Rockefeller (Leiby, 1978, p. 175). The bureau began operations in 1907, doubling as a research institute for public administration and a training program (Leiby, 1978, p. 175).

Despite improvements in public administration theory and professionalization, *public welfare* was generally frowned on in the 1920s social work environment. As James Leiby (1978) wrote in his *A History of Social Welfare and Social Work in the United States*, "In the National Conference of Social Work, the largest forum for professionals and their allies, public welfare was not prominent" (p. 179). Professional social workers favored private agencies like community chests both as funding opportunities and as vehicles through which to execute their programs. In some cases, public welfare experts would even move out of public institutions into private agencies or create their own organizations through private philanthropic dollars (Leiby, 1978, p. 179).

In summary, the philanthropic environment present before the Great Depression was characterized by active voluntary or private organizations that shouldered much of the social welfare obligation for a community. Its landscape was dotted by hundreds of private foundations and community chests. Its actors were far more professionalized than their predecessors, and the environment was marked by more efficient operating and administrative practices. However, in the face of the Great Depression's economic devastation, philanthropic organizations found themselves rapidly pushed to the limits of their newly developed resources and practices.

The Onslaught of the Great Depression

The Great Depression, as a creator of unemployment, was indiscriminant in its selection of targets. Previously, economic recessions and downturns had affected primarily unskilled industrial workers whose job opportunities were not very stable to begin with. Even in the booming 1920s, many of these laborers faced real prospects of unemployment. The Great Depression was different in that it also put middle-income and upper-income workers out of work. Poor-relief records, reported by the Works Progress Administration in 1935, demonstrated that the Depression affected members in every working group and profession in the United States. Although farm workers and unskilled laborers made up the majority of the unemployed, nearly a quarter of the unemployed had been engaged in office work and professional trades, normally economically resilient fields (Khan, 1937, p. 15).

Between 1929 and 1932, asset values, employment numbers, and production values all collapsed. Stock values fell 75% from their 1929 highs (Khan, 1937, p. 27). Overall production across the country dropped 46% (Khan, 1937, p. 27). Total national income was halved from $81 billion in 1929 to $40 billion in 1932 (Khan, 1937, p. 27). Total unemployment in the country increased almost tenfold, from 1.8 million unemployed persons in 1929 to over 13.1 million unemployed in 1933 (Khan, 1937, p. 27). By the beginning of 1933, one in every four American workers was unemployed (Katz, 1986, p. 207).

At the onset of the Great Depression, President Hoover made it clear that he felt private agencies and local government presented the best means to meet the needs of the growing number of poor people. Even in February 1931, 15 months after the October 1929 stock market crash, Hoover praised the work of voluntary organizations and continued his support of local organizations over federal programs. "Victory over this depression and over our other difficulties," said Hoover in a February 13, 1931, radio address, "will be won by the resolution of our people to fight their own battles in their own communities" (Rollins, 1966, p. 17). Such an approach constituted what Hoover termed "the American way" to solving problems (Rollins, 1966, p. 17). In his view, increasing federal spending would destroy this approach. As a result, Hoover did not create any direct federal programs to address the unemployment and poverty issues generated by the Depression until the final year of his administration. Indeed, Hoover vetoed a 1931 relief bill that would have created "federally funded public works, an expanded federal employment service, and unemployment insurance" (Katz, 1986, p. 216).

Private agencies were forced to take on much of the early responsibility to care for the nation's growing numbers of unemployed and impoverished. The Depression quickly crippled the budgets of state and local governments. As unemployment rose and assets depreciated in value, tax revenues quickly fell. To make matters worse, many local governments were encumbered with billions of dollars in existing debt accumulated during the 1920s (Katz, 1986, p. 214). Over a thousand of these local governments defaulted on their debt loads by 1933 (Katz, 1986, p. 214). Most of the largest cities in the country were unable to provide relief payments to all of their unemployed citizens. For example, New York City could barely support a quarter of its unemployed population. Even for the one in four unemployed New Yorkers who were lucky enough to receive relief payments, the amounts were paltry: only $2.97 a week for all living expenses (Katz, 1986, p. 213). These factors greatly hindered public relief in the first few years of the Great Depression. With weakened state and local government relief programs, community chests and other private relief organizations faced even more demand for their resources.

Community Chests: Their Successes and Failures in Responding to the Depression

For the first 2 years of the Depression, community chests performed quite well. Chests in the nation's largest cities quickly launched funding drives to address their individual community needs. As a result, community chests across the United States recorded major increases in giving during the first 2 years of the Depression. Twenty-nine of the largest community chests in the country recorded a combined fundraising total of $38.4 million in 1929. In 1930, the first full year of the Depression, these organizations raised more than $42 million. Giving to these 29 chests reached its peak in 1931 with $51.7 million in donations, a record that would stand until the second year of U.S. involvement in World War II (Jones, 1946, p. 71). Considering a larger data set of 171 community chests, 1932 was the true peak year in community chest fundraising, as this larger group raised and distributed more than $78.5 million in funding that year (Brown, 1971, p. 412).

Hoover sought to harness this private assistance through the creation of his President's Organization for Unemployment Relief (POUR) in August 1931 (Singleton, 2000, p. 68). This organization coordinated private funding drives with local government welfare programs. This private money was combined with state and local government funds to provide a coordinated approach to caring for the poor (Singleton, 2000, p. 70). Some of the POUR drives were very successful, most notably in New York and Philadelphia (Singleton, 2000, p. 71). However, the number of needy quickly outpaced the private resources raised for the program. For example, through POUR, the city of Chicago raised more than $10 million in the fall of 1931. By the winter, the city was spending $3 million a month on assistance programs (Singleton, 2000, p. 75). As a result, the city had to approach the state government for a $20 million appropriation to shore up relief efforts (Singleton, 2000, p. 75). Other cities, like Detroit, cut their relief provisions to stretch out funding (Singleton, 2000, p. 77).

Community chests continued to push forward despite closures and rising demand. The 1932 fall campaign represented the final push from community chests to remain major players in the nation's poor relief. Across the country, they cut funding to nonrelief agencies and shifted all of their resources to organizations that provided assistance to the poor. Hoover supported the action and exhorted Americans to give. Yet, while the chests raised more money in 1932 than in any year previously, it was not enough. Altogether, the private funding could support only a fifth of all poor-relief services for that year. Federal loans financed the rest of the relief work (Brown, 1971, pp. 131–132).

Foundations

The initial response to the Great Depression from large foundations was mixed. Some foundations increased their funding levels in the first 2 years of the Depression. The Julius Rosenwald Fund, for example, increased its giving from $586,000 in 1929 to $1.87 million in 1930 and increased it again to $2.47 million in 1931 (Jones, 1946, p. 74). The General Education Board doubled its annual giving from 1929 to 1930, from $14.8 million to $30 million (Jones, 1946, p. 74). Other foundations, like the Carnegie Corporation and Rockefeller Foundation, decreased their grant appropriations in 1930 but raised them in 1931 (Jones, 1946, p. 74). The Carnegie Corporation's grantmaking total dropped from $5.4 million in 1929 to $4.4 million in 1930 before rising to $5 million in 1931 (Jones, 1946, p. 74). The Rockefeller Foundation followed a similar path, dropping its annual giving from $21.4 million (1929) to $18.1 million (1930) and then increasing it to $20 million (1931) (Jones, 1946, p. 74).

Large community foundations, meanwhile, significantly increased their grant totals in the first few years of the Depression. Three of the largest community foundations in the country, the Cleveland Foundation, Chicago Community Trust, and the New York Community Trust, all increased their giving and maintained high levels of grantmaking, although the totals were dwarfed by the large private foundations, throughout the Depression. For example, the Chicago Community Trust increased its giving from $93,000 in 1929 to $118,000 in 1930 and $135,000 in 1931. The Cleveland Foundation raised its giving from $61,000 in 1929 to $247,000 in 1931. These three community foundations maintained their high giving levels throughout the Great Depression (Jones, 1946, p. 74). Foundation giving, including both private and community foundations, recorded a 25-five year (1920–1945) giving high in 1930 (Jones, 1946, p. 74). Generally, despite initial increases in giving, private foundations were unable to sustain increased giving levels through the entire Depression. In most cases, by 1931 and 1932, nearly all of the foundations had returned to their pre-Depression giving levels.

Private Agencies

Private relief organizations like the Red Cross, local churches, and social work agencies formed the frontline for private assistance in the United States. These organizations were supported by local community chests, individual donations, and political leaders. In 1932, the former Democratic presidential candidate Al Smith, who had run against Herbert Hoover in 1928, actively campaigned to raise funds on behalf of the Red Cross. By 1932, the Red Cross had activated 2,300 of its chapters to provide assistance to the poor and unemployed in cities and towns across the United States ("Smith Calls Nation," 1932). In some cases, the Red Cross was the only organization working in communities to assist the impoverished. When Smith made his appeal on behalf of the Red Cross, he noted that the organization had provided "flour and bread to 18,000,000 persons and clothing to 7,000,000" in 1932 alone ("Smith Calls Nation," 1932). Although he did not specify a fundraising goal, Smith urged Americans to give to the Red Cross as they had done in World War I and help "alleviate the suffering" of their neighbors ("Smith Calls Nation," 1932).

Community chests were arguably the most visible and influential philanthropic actors in the urban communities of the United States. Nearly every major American city had one. In 1934, there were a total of 385 community chests operating in cities across the United States (Trolander, 1975, p. 59). Community chests in most of these cities held the purse strings for much of the charitable activity carried out by social work agencies like settlement houses. The latter would turn over their entire fundraising operations to a local community chest, which would then raise and administer funds gathered from its annual citywide funding drives (Trolander, 1975, p. 50). The decision-making power on how the money was spent rested in the hands of each community chest's board, which had the power to choose which individual programs it would fund (Trolander, 1975, p. 56). If it wanted to, a community chest board could force an agency to restructure its budget, endorse specific programs, or cut programs as a stipulation in the reception of chest funding.

Not all social service agencies were under the control of community chests. Settlement houses in New York and Chicago operated independently and created funding cooperatives that pool their fundraising resources. Jane Addams's Hull House remained unaffiliated with either a community chest or a settlement house fundraising pool while she ran the institution. Other social work agencies raised their own funds. For instance, one New York social work agency, the Association for Improving the Condition of the Poor, raised $1.3 million on its own in 1929 ("Expended $1,397,047," 1932). Churches and religious agencies were also independently financed through either donations from their congregants or through general, "public appeals." These organizations served as the primary social work agencies before the government became involved. The Catholic Charities of the Brooklyn Diocese, for example, donated clothing and food to impoverished families. In the first 6 months of 1932, it ran work-relief projects, which employed 205 people, and provided job search assistance to 10,454 men, of whom 931 found jobs ("Catholic Charity," 1932). However, by July 1 of that year, the organization had to stop accepting applicants because it had run out of funding ("Catholic Charity," 1932).

A Call for Increased Government Involvement

Resource shortages led philanthropic leaders to approach both federal and state governments, urging them to increase public support for poor relief. By 1932, the Family Welfare Association of America (FWAA) and the Association of Community Chests and Councils (ACCC) reported that their affiliate organizations had been forced to cut grants to families by 40% due to budgetary restrictions. Meanwhile, funding requests to these organizations had increased by a similar percentage (Brown, 1971, p. 122). Private agencies across the country reported having to make deep cuts in their nonrelief programs to keep even a small portion of direct aid flowing to their recipient families. State and local governments had to take similar actions by cutting such budget items as health and cultural spending to keep their relief payments flowing. This lack of capacity to respond to the Depression led leaders of private agencies to call on the different levels of government for assistance. For instance, Newton D. Baker, the chairman of the citizen's relief committee of the ACCC, remarked in general appeal to state legislatures in 1932,

> It is evident that unless this winter's imperative increase in unemployment relief can be lifted from local resources by state activity and hence by larger R.F.C. [Reconstruction Finance Corporation] loans our whole distinctive American organization for human betterment will be crippled if not demolished. (Brown, 1971, p. 132)

Hoover's Reversal of Course

As a result of the numerous community chest and relief organization failures, Hoover signed into law an act that created the Reconstruction Finance Corporation (RFC) in July 1932. Instead of grants to state governments and agencies, the RFC provided federal loans to states to assist them in creating public works programs and making relief payments. In a sign of the extreme need for the federal loan money, most of the original $300 million loan fund was disbursed by April 1933 (Brown, 1971, p. 142).

While it represented the first step in providing some form of federal aid, the RFC was regarded as inadequate in addressing the real needs of private agencies and state governments in meeting poor relief. Harry L. Hopkins, a previous executive of the Red Cross and the New York Tuberculosis Association, noted that, for a federal program to address basic unemployment assistance for even 10% of the nation's unemployed, it would require at least a billion dollars in funding. Furthermore, private and governmental agencies preferred direct grant aid to federal loans as the latter placed a repayment burden on the state agencies that received the funding. This desire for grant aid was consistently reiterated at gatherings of private and governmental relief actors, like the November 1932 conference on Maintenance of Welfare Standards (Brown, 1971, pp. 135–136).

This is not to say that the RFC was a complete failure. Indeed, a study by the Russell Sage Foundation found that the program had actually fostered the development of state-level welfare organizations in nearly all of the participating states (Katz, 1986, p. 216). However, as noted earlier, the program did not provide the financial resources required to take the financial burden of poor relief off of state and private relief agencies. Ultimately, it would take the election of Franklin Delano Roosevelt and his administration to finally bring the federal government completely into the once privately dominated world of poor relief.

FDR, the New Deal, and Increased Government Funding

Franklin Roosevelt's relief efforts while he was president mirrored many of the policies he had enacted while governor of New York. As governor, Roosevelt had increased

New York's welfare spending when the state began losing jobs. By 1931, close to a million of its citizens were unemployed (Crouse, 1986, p. 53). In the face of the growing numbers of unemployed and failing private agencies, Roosevelt successfully created, through legislation, the Temporary Emergency Relief Administration (TERA), which provided up to $20 million in relief funding directly from the state government to local agencies working in poor relief (Crouse, 1985, pp. 54–55). Harry L. Hopkins was appointed executive director of TERA in New York, and the program set the tone for what Roosevelt would do as president (Brown, 1971, pp. 91–94).

When he accepted the Democratic nomination for president, Roosevelt promised a "new deal for the American people" (Leuchtenburg, 1963, p. 8). The term *New Deal* came to represent the entire package of relief programs that Roosevelt proposed, a course that was very different from his predecessor's. Under New Deal policies, the federal government would take a far more active role in poor relief in the United States.

After beating Hoover in 1932 and taking office the following year, Roosevelt and his administration quickly increased federal funding to assist the poor. Federal relief obligations increased to $480 million in 1933, then to $1 billion and $1.3 billion in 1934 and 1935, respectively (Khan, 1937, p. 40). In all 3 years, federal spending constituted at least 60% of all incurred relief obligations and accounted for more than 70% of all relief obligations in 1934 and 1935 (Khan, 1937, p. 40). In 1935 alone, Roosevelt allocated more than $4.6 billion in federal relief aid for numerous public works, work-relief, and direct aid projects (Khan, 1937, p. 88).

Roosevelt also launched a series of work-relief programs, headed by Hopkins, which provided payments to the unemployed if they worked on government construction projects. Hopkins and Roosevelt both preferred work-relief programs over direct aid to individuals because work relief was thought to provide its recipients with a respectable means of support. Work relief provided jobs that its recipients could proudly hold instead of feeling as if they were "public wards" who were completely reliant on the "dole" (Bremner, 1985, p. 72). Roosevelt created the Civilian Conservation Corps (CCC), the first work-relief program, within months of taking office. The CCC provided work opportunities in natural conservation projects for unemployed men across the country. As a condition of employment, the CCC required that participants send a majority of their earnings back home to support their families. By the program's end in 1942, the CCC had employed more than 2.5 million young men, who had passed along $670 million in monetary aid to their families at home (Bremner, 1985, pp. 70–71). The Hopkins-led Federal Emergency Relief Administration (FERA) created the Civil Works Administration (CWA) in November 1933. By January 1934, the program employed over 4 million Americans and paid out about $800 million in wages (Bremner, 1985, pp. 72–73). In 1935, FERA and the CWA were replaced by the Works Progress Administration (WPA), also headed by Hopkins, which administered more than $11.4 billion in public works appropriations and employed more than 8.5 million people during its 8-year life span (Bremner, 1985, p. 73).

Direct cash aid represented another approach to combating the Depression. While not as heavily favored by Roosevelt or Hopkins, direct aid provided a living stipend for impoverished families who did not have a breadwinner who qualified to work in the work-relief programs. Between 1933 and 1935, the value of the average relief grant to families rose from $15.15 per month in 1933 to $24.53 in 1934. By 1935, the national average increased again to $29.33 per month per family (Brown, 1971, p. 249). Besides these cash grants, the federal government also installed a number of financial safety nets for the elderly and unemployed during the New Deal. The Social Security Act of 1935 provided for the nation's first old-age insurance program and required states to maintain unemployment insurance programs (Katz, 1986, p. 199).

The New Deal programs were by no means perfect. Common complaints against the work relief programs centered on the facts that these programs did not pay adequate wages and were not widely available to all unemployed individuals who needed work (Katz, 1986, p. 229). Even with increased federal support, direct cash grants were still barely enough for families to live on each month. However, despite these shortcomings, the programs played an important role in shifting the responsibility for poor relief from local organizations to the federal government.

The New Deal's Effect on Private Organizations

New Deal programs focused on providing aid and assistance through government agencies. FERA funds, for instance, were limited to public organizations (Bremner, 1985, p. 72). Some private relief agencies were absorbed into the federal programs while some private social workers became government social workers. More generally, exemplified in the cases of community chests and family welfare agencies, private organizations had to reinvent themselves to justify their existence in the face of a broader federal relief program (Brown, 1971, pp. 409–419). Other organizations ceased to exist altogether as their funding quickly dried up. Private giving generally decreased in the first few years of the Depression. For some organizations, like community chests, these giving levels returned as the Depression ended and World War II began. Other organizations, like churches, never recovered their pre-Depression charitable giving levels.

The increased federal government involvement in poor relief greatly affected community chests as federal programs replaced projects previously funded by these organizations

(Brown, 1971, p. 410). Community chests found themselves in a situation where they had to justify their continued existence. As noted earlier, the peak year for community chest donations was 1932. This giving level would not be matched again until 1942. During this 10-year period, the average giving for community chests dropped below its pre-Depression levels. Considering the 29 community chests mentioned earlier, giving dropped from the $51.7 million high in 1931 to an average giving level that hovered around $33 million during the rest of the 1930s (Jones, 1946, p. 71). It was not until the war fund drives of World War II that the community chests had a clear purpose for their fundraising drives.

Private family welfare agencies surrendered their social work duties to the federal government. As Josephine Brown (1971), noted in her book, *Public Relief 1929–1939*, "Having been forced to recognize, in 1932 and 1933, that private agencies could not carry the load of unemployment relief, they [private family welfare agencies] relinquished the responsibility to public agencies and entered upon a period of readjustment" (p. 414). In 1929, private funding constituted around 24% of all public welfare spending in 116 American cities. By 1939, after the passage of the New Deal programs, that portion dropped to 1% (Brown, 1971, p. 415).

Many private social work agencies simply became government agencies. In the beginning phases of the New Deal, private agencies were eligible for and often received federal funding. Indeed, 25 private agencies associated with the predominantly private Family Welfare Association of America received all, or most, of their funding from the federal government in the first year of the New Deal (Brown, 1971, p. 187). When the law changed in 1933, requiring that only public organizations could receive public funding, these organizations were faced with a decision: either give up government funding or become public agencies. Private organizations could qualify for public funds by creating a public relief division that was separate from their private operations (Brown, 1971, pp. 188–189). Other private agencies converted to public ones when their executive directors took government appointments (Brown, 1971, pp. 187–189).

As government relief aid increased, church relief aid from Christian denominations decreased significantly. A recent economic study has suggested that this decrease in Christian charitable aid resulted directly from the increase in government welfare spending (Gruber & Hungerman, 2007). Church expenditures, disregarding upkeep and maintenance costs, outstripped state and local government charitable giving by $90 million in 1926 (Gruber & Hungerman, 2007). When federal government spending increased, church charitable giving declined. The per capita charitable giving average for six sampled Christian denominations fell by a third between 1926 and 1936. Consequently, some have argued that increased federal government spending caused a "crowd out" effect on religious charitable giving, creating the 30% decline in Christian charitable giving during the 1930s (Gruber & Hungerman, 2007).

Private agencies presented a measured response to this government encroachment. The Russell Sage Foundation's Russell Kurtz praised the federal work relief efforts. However, he and his colleagues feared that the New Deal also ran the risk of undercutting traditional direct aid programs. Without such aid programs, which private agencies had provided, Kurtz argued that individuals who did not qualify for the work relief programs would fall through the cracks (Crouse, 1986, p. 205). Either the government or private agencies needed to maintain these direct aid programs to fully cover all of the poor's needs (Crouse, 1986, p. 205).

Charles Taft, the chairman of the 1938 mobilization of the ACCC, raised similar concerns about federal aid not being comprehensive enough. The ACCC that year advocated for more efficient government spending that more evenly addressed all of the victims of the Depression. These suggestions were prompted by the previously mentioned problems surrounding the WPA and its uneven provision of work opportunities. As Taft noted, the 1938 WPA programs left 800,000 able-bodied men without work because the appropriations were not high enough to provide jobs for everyone ("Needs Parley," 1938).

Nonprofit leaders also argued the merits of private poor relief and its necessary place in the community. However, in view of real world conditions, these arguments were tempered with an acknowledgment that private organizations could not shoulder additional service responsibilities on their own. For instance, Joseph M. Proskauer, the president of the Federation for the Support of Jewish Philanthropic Societies, told *The New York Times* in 1935,

> Poverty leaves a deeper mark than mere starvation and cold; it warps family life; it perverts and twists human nature; it sickens the soul as well as the body. And to render true human welfare we need the individual touch that private philanthropy offers, even in relief work itself. ("Social Work Vital," 1935)

Proskauer and his colleagues from the Better Times symposium agreed that the private relief agencies had a vital role to play in caring for the poor alongside government involvement. However, they also acknowledged that it was impossible for private agencies to take on all of the care responsibilities from the government ("Social Work Vital," 1935).

To take these complaints as an argument that the government was attempting to stamp out private assistance to the poor would be a mistake. On the contrary, Roosevelt regularly spoke before associations of charitable groups like the ACCC and publicly encouraged citizens to support their local private agencies. In an October 14, 1938, radio address to community chest leaders, Roosevelt called for a partnership between private agencies and the government: "Private community effort is not contradictory in principle to government effort, whether local, state, or national," Roosevelt said. "All of these are needed to make a partnership upon which our nation is founded" ("President Hails," 1938). He went on to say,

> Community leaders have met the challenge of changing con ditions. They are not looking backward with resentment against the government. They have welcomed the acts of their government as a liberation of their efforts, as an opportunity to move forward on the front of social progress. . . . I call upon the American people to fall in behind such leadership and to widen the social horizon. ("President Hails," 1938)

This partnership between private relief agencies and the government was strengthened during World War II and characterizes the relationship between these two types of organizations to the present day.

World War II

World War II effectively ended both the Depression and the stagnant giving environment of the 1930s. It provided a new sense of purpose for community chests and private relief agencies, whose roles had been taken over by government programs during the Depression. It also fostered greater cooperation between private relief agencies and the federal government.

By 1942, the first full year of U.S. involvement in World War II, unemployment had dropped below 5% (Bureau of Labor Statistics, 2008). The next year, unemployment fell to below 2%. Meanwhile, national manufacturing exceeded its pre-Depression levels. This new prosperity, coupled with the war, provided both the resources and a purpose for renewed charitable giving. Between 1940 and 1943, private charitable contributions rose from $734 million a year to $1.8 billion a year (Jones, 1946, p. 3). Total charitable giving, which takes into account foundation giving, bequests, individual giving, and so on, doubled from $1 billion to $2.1 billion in this same time frame (Jones, 1946, p. 3). Community chest giving exceeded its 1931 and 1932 records between 1942 and 1944 as community chests collected private war-fund donations. The 29 largest community chests in the United States collected $66.9 million in 1942, rising to $82.5 million in 1944 (Jones, 1946, p. 71). Well over a quarter of these donations were marked for the war fund (Jones, 1946, p. 71).

Roosevelt exhorted Americans to give to community chests during the war. An October 6, 1943, *New York Times* article reported on one of Roosevelt's radio speeches encouraging giving:

> Asking all to give generously, the President said the fund [the war fund] would stand before the world as the symbol of "the brightest ray of hope and the greatest power for good in the world today the sovereign voice of the people of the United States." ("President Is Heard," 1943)

Donations to the war fund went to the USO and other "war-related welfare and relief organizations" ("President Is Heard," 1943). Later, when the war drew to a close, the U.S. government would make use of private aid groups again to assist in postwar relief efforts around the globe.

Summary

The years spanning the Great Depression and World War II were some of the most turbulent in the history of the United States. Heading into these years, the relationship between private charitable agencies and the federal government was characterized by a strict division. Charitable care was left to local governmental and private community actors with minimal involvement by the federal government. As the Great Depression ravaged the nation's economy, this wall dissolved out of necessity. What emerged from this time period was a stronger, more active federal government, which was the primary social welfare provider. A partnership between private agencies and the federal government, which emerged out of this turbulence, was fostered during World War II and became more pronounced decades later. Indeed, the present distribution of social services in the United States is built on this partnership.

The leadership of two men, Herbert Hoover and Franklin Delano Roosevelt, guided this transition. Hoover opposed government intervention for fear that it would destroy individuality. His leadership and beliefs left the burden of poor relief on the shoulders of private organizations. When these resources were no match for the Depression, Hoover responded to criticism and took the first step toward greater federal involvement with the RFC. Roosevelt's leadership fully realized this development of the federal government's role as the primary social welfare provider.

Nonprofit leaders guided their organizations through this time period with an eye on both maintaining private involvement in the nation's public welfare work and delivering care to their communities. Community chests did everything that they could to provide care for the poor in the early years of the Depression. Social work agencies and church organizations served as soup kitchens, clothing providers, and job bureaus. Besides providing these direct services to their communities, nonprofit leaders also had to be advocates for additional government support. Out of care for their communities, nonprofit leaders like Newton D. Baker and associations like the ACCC and the FWAA advocated for more federal involvement in poor relief. These calls for help carried weight within the government because these individuals were on the front lines, combating poverty in communities across the United States. In many cases, as in the example of Hopkins, former nonprofit leaders became leaders in the government relief programs. Ultimately, the real world experience that these individuals brought to the table made them invaluable assets in making the nonprofit government approach to caring for the poor a success.

When the federal government became involved in poor relief, leaders, like Joseph M. Proskauer, argued that private charity should not be abandoned because it could aid people in ways that the federal government could not. Charles Taft and others advocated for more efficient government spending, while political leaders like Al Smith, Herbert Hoover, and Franklin Delano Roosevelt encouraged citizens to give. This strong leadership from both philanthropic and governmental actors was crucial to the creation of a public-private partnership that has characterized government-nonprofit relations since the 1930s. It also guided the United States successfully through one of its most tumultuous economic disasters.

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14

History of Nonprofit Leadership in the United States

From World War II to the 1969 Tax Act

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This chapter explores highlights of an unprecedented time of growth and development of the citizen sector in the United States. From World War II to the passage of the 1969 Tax Act, nonprofits, foundations, social movements, and volunteerism deepened their roots in American life and achieved great prosperity.

Scholar and author Lester M. Salamon (1999), musing on the nonprofit and philanthropic sector, states the following:

> Few aspects of American society are as poorly understood or as obscured by mythology as the thousands of day care centers, clinics, hospitals, higher education institutions, civic action groups, museums, symphonies, and related organizations that comprise America's private, nonprofit sector. (Salamon, 1999, p. 7)

As we begin the second decade of the 21st century, we face new challenges affecting both the growth and form of our current organizations. To respond, nonprofit and philanthropic leaders must have a clear understanding of the history and circumstances that launched our modern organizations. Without such an understanding, many will find it difficult at best to properly analyze and to respond to the constantly unfolding events affecting their work.

This chapter offers some initial background on the events following the start of World War II that continue to resonate in today's nonprofit and philanthropic sector.

World War II and the Early Postwar Years

The United States formally entered World War II with the bombing of Pearl Harbor by the Japanese empire in 1941. Prior to our entry into the war, hundreds of American volunteers were already fighting the Japanese in China under the command of Claire Chennault's American Volunteer Group, better known as the Flying Tigers (Chennault, 1949/1991). In Europe, more than 100 American airmen are believed to have volunteered to fly with British airmen protecting their nation from German bombs in the Battle of Britain (Johnson, 1998).

Because it was illegal for U.S. citizens to engage in the war, these airmen risked their U.S. citizenship as well as their lives in these highly dangerous battles before America's entry into the war. Their voluntary sacrifice protected the critical supplies to Chinese soldiers and citizens and helped England to push back the threat of German invasion by protecting its borders and skies until the United States joined the war effort.

During the war years, American citizens provided thousands of acts of selfless volunteerism. They served at home to support the war and abroad in the voluntary military. One critical contribution made on the home front by millions of Americans was their investment in war bonds to help fund our fighting effort. These were voluntary loans to the government through the purchase of special war bonds. The Smithsonian in its educational collection discusses the role of these voluntary purchases by citizens:

> One of the great incarnations of the volunteer spirit in American history was the public response to a government savings bond program. Called Defense Bonds before the Japanese attack on Pearl Harbor and War Bonds afterwards, these U.S. Treasury securities served two purposes, financing the war and taking money out of circulation to hold down inflation. The bonds were sold in denominations beginning at $25. Less expensive stamps could be saved in a book and redeemed for a bond. Purchase of bonds amounted to a gen erous loan from the American people to the American gov ernment: they yielded a modest return, 2.9 percent after a maturity of ten years.
>
> By the end of the war, more than 85 million Americans, out of a population of 139 million, had bought bonds. Millions had participated in bond selling drives organized by such groups as Scout troops, men's lodges, women's clubs, and union locals. The total cost of the war to the federal government has been estimated at $340 billion in 1940s dollars. Nearly half of that came from bond sales. (Smithsonian, 2007)

In the midst of war, other activities were under way in the nonprofit and philanthropic sectors. While initially some Rotary Clubs were forced to close because their members were fighting overseas, their challenge would inspire efforts of goodwill still felt worldwide. In 1942, Rotary sponsored a conference that anticipated the end of the war and sought to establish international exchanges, which became the inspiration for the founding of UNESCO (Rotary International, 2010).

> The basic mission of UNESCO is to contribute to sustainable human development in a culture of peace, underpinned by tol erance, democracy and human rights, through programmes and projects in UNESCO's fields of competence education, the natural and social sciences, culture, and communication and information. (UNESCO, 2010)

Even during the war, new nonprofits began to emerge. In 1944, the United Negro College Fund (UNCF) was established. The presidents of Tuskegee Institute (now Tuskegee University), and Bethune-Cookman College (now Bethune-Cookman University), along with 27 other colleges, established the fund to support historically black colleges and universities (UNCF, 1999). To this very day, the fundraising partnership of UNCF continues to help African American youth achieve their dream of a college education.

On May 7, 1945, the war in Europe ended, and May 8, 1945, was declared VE-Day (Victory in Europe). On August 14, the war with Japan ended, and August 15 was declared VJ-Day (Victory over Japan). The war in Europe and Asia left millions of residents homeless and destitute. Their homes and communities were bombed to the ground, and populations were displaced.

America began to clearly demonstrate its compassion for the victims. Postwar assistance began almost immediately with the inauguration of CARE, the world's largest private international relief organization. A collaboration of 22 American humanitarian nonprofits, CARE was founded in 1945 to send food to the survivors of World War II. The acronym stood for Cooperative for American Remittances to Europe. (Given its international private humanitarian mission, the name was later changed to Cooperative for Assistance and Relief Everywhere, Inc.)

CARE (n.d.) highlights its history:

> On May 11, 1946, the first 20,000 packages reached the bat tered port of Le Havre, France. Some 100 million more CARE Packages reached people in need during the next two decades, first in Europe and later in Asia and other parts of the developing world.

Much later, President John F. Kennedy wrote to the world of this ongoing nonprofit assistance, saying: "Every CARE Package is a personal contribution to the world peace our nation seeks. It expresses America's concern and friendship in a language all peoples understand" (CARE, n.d.).

At the end of the war, the United Nations began looking for a permanent home. John D. Rockefeller Jr., a well-known philanthropist with holdings in New York, donated six city blocks for the U.N. headquarters. The United States declared this to be an international site. In 1945, this generous gift was estimated to be worth $8.5 million (PBS, 1999–2000). By all best estimates, American philanthropic contributions to war reconstruction and relief totaled "$470 million in 1945 and $650 million in 1946, then remained in the $450 million to $550 million range through the 1950's" (Hammack, 2003).

As the United States built on its postwar strength, tax policies implemented in the early 1900s were starting to have an impact on the giving behavior of individuals in the postwar period. In 1913, the personal income tax was initiated, and in 1917, Congress passed legislation that encouraged private giving by approving an income tax deduction for gifts to charitable organizations. The results for charities from these two tax policies began to be felt in the postwar period as Americans started to make more money and to pay more income tax.

Along with the purely benevolent giving by Americans, those other than the very wealthy began to look for ways to shelter some of their income from taxes and began to increase their donations to charity. The IRS reports that "by 1945, the last year of World War II, charitable contributions reported in income-tax returns were five times as large as they were in 1939" (Billitteri, 2000). By 1946, corporate America began to give in substantial ways when Congress approved a 5% tax deduction for charitable gifts from corporations.

Also during the decades following the war, thousands of private foundations were established. These foundations were set up, on the face of it, as a way to provide private funding to serve public needs and demonstrate the generosity of many wealthy Americans, but they were also established to shelter income from taxes. Whatever their intent, the outcome was the strengthening of organizations focused on good works.

By 1949, the growth of foundations was such that they began to organize themselves. Originally started by community foundations, the National Committee on Foundations and Trusts for Community Welfare was established and became the first association for American foundations. Later, this organization changed its name to the Council on Foundations (COF) (2008). The member foundations remained independent but voluntarily joined the COF to help advance their common interests. Outlining the impact of post–World War II legislative actions, scholar Peter Hall (2003) said, "Curiously, neither average citizen nor policymakers fully understood how profoundly changes in tax policy would affect the architecture and dynamics of economic, political, and social institutions in the postwar years" (p. 365).

The Korean Conflict and the 1950s

Following World War II, Korea had been divided into north and south at the 38th parallel. The North Korean zone came under the influence of the Soviet Union, the South Korean zone the United States. On June 25, 1950, the Korean conflict began when the army of North Korea invaded South Korea. Fighting continued until July of 1953, when an armistice paused the fighting, although technically the war continues to this day (Harry S. Truman Library & Museum, 2006).

While the Korean War was beginning, Internal Revenue Service (IRS) Form 990 entered the world of philanthropy. Form 990 must be filled out by most nonprofit organizations to provide public disclosure and a degree of transparency regarding the structure and the use of charitable dollars. About the same time, legislation was passed requiring charities to pay an unrelated business income tax (UBIT) for dollars raised through activities that are not specifically related to the mission of the nonprofit organization (Billitteri, 2000). For example, if an art museum holds an art appreciation course and charges a fee, its income is considered to be mission related. However, if the same art museum decided to run a laundry, it would be required by pay a UBIT because the source of money is from business activities and not mission related.

Of the many successes of private philanthropy, the development of the Salk vaccine to prevent polio is perhaps one of the greatest. In 1954, nationwide testing of the polio vaccine was launched, involving 2 million schoolchildren. Known as "America's polio pioneers," these children completed the field trials that became "the largest peace-time mobilization of volunteers in U.S. history" (March of Dimes, 2010).

The field trials proved successful, with data showing that the Salk vaccine was 80% to 90% effective. Immediately following the successful trials, 450 million doses of the vaccine were administered across the nation. As a result of the important work done by foundations during these years, this disease, which had killed thousands of children and paralyzed many more, including President Franklin D. Roosevelt, is now close to eradication worldwide (March of Dimes, 2010).

In 1938, President Roosevelt had founded the National Foundation for Infantile Paralysis because of increasing polio epidemics. By the mid-1950s, their privately funded research efforts had begun to make a difference in preventing polio. Comedian Eddie Cantor coined the phrase, "March of Dimes" by asking his fans to send dimes to the White House. These dimes funded the research by Dr. Jonas Salk for the purpose of developing a vaccine (March of Dimes, 2010).

> The March of Dimes represents the first large scale, nation wide biomedical initiative, led by a charitable organization. It also helped make the volunteer movement an integral part of the fabric of American life. (March of Dimes, 2010)

Growth also continued in the development of organizations to support the work of the nonprofit sector. In 1956, during the era of Senator Joseph McCarthy (R-Wisconsin), concerns were raised about grantmaking foundations in the United States. Amid Senator McCarthy's unrelenting search from communist infiltrators, questions were raised about foundations. Foundations and individuals seeking to defend the work of the charitable and especially the foundation sector found that there was no central repository of information about foundations and their work.

In response to this lack of knowledge, five major foundations launched The Foundation Library Center (now called the Foundation Center) to encourage foundation transparency. The founding foundations were the Carnegie Corporation of New York, the Ford Foundation, the Rockefeller Foundation, the W. K. Kellogg Foundation, and the Russell Sage Foundation. The Foundation Center continues to serve the field today with data and research and with regional offices across the United States. Equally important, the National Council on Community Foundations was officially incorporated in New York in 1957. The first members were community foundations, which had met starting in 1949 as the National Committee on Foundations and Trusts for Community Welfare. In 1958, the council welcomed corporate and private foundations to become affiliated (COF, 2008).

Major Social Movements of the 1960s

One of the major roles of the nonprofit and philanthropic sector is to provide the political space where individual citizens can organize themselves and advocate for new ideas. This freedom allows the United States to have a continuous stream of new energy and new ideas helping to shape solutions to challenges old and new. Nonprofits create a space where anyone with a good idea can connect with people of similar interests and form a nonprofit as a vehicle for their solution. These organizations can then receive private donations, work for change, advocate new public policies, and educate the public toward new ways of thinking and behaving.

The nonprofit sector plays a vital role as the open forum where a clash of ideas moves the nation toward common agreement. Nonprofit organizations have and continue to play an important role in challenging our thinking on issues such as abortion, global warming, environmental protection, and drunk-driving campaigns, to name a few.

The Anti-War Movement

During the late 1960s, as the United States slid into the war in Vietnam, three major social movements began to shape the future of American society: the anti-war movement, the civil rights movement, and the women's movement.

In the years of war escalation in Vietnam, a strong citizen-led anti-war effort emerged. The anti-war activists learned from the strategies and tactics of the civil rights movement. A defining characteristic of the anti-war effort was the leadership from college-age students. In 1962, the Students for Democratic Society (SDS) formed at the University of Michigan and later aligned themselves with the United Auto Workers to support Lyndon Johnson for president in hopes of bringing reform to American society. Interestingly, over time, SDS became one of the leading groups to challenge President Johnson and the war he waged in Vietnam.

In 1965, protesters organized a march on Washington against the war. This was followed up by "teach-ins" at universities and ongoing turmoil across American cities. An active modern underground railroad was operated by volunteers and pacifist churches to move draft evaders from the United States to Canada or Sweden. Clashes occurred across the country between protesters and police. While the 1965 march was not without impact, a second march on Washington in 1969, attracting a crowd of more than 500,000, generated the political will to end to the war. The anti-war movement is a powerful example of free people organizing themselves to protest their government's actions. This form of citizen organizing was supported by organizations in the nonprofit sector.

The Civil Rights Movement

During the period from 1955 to 1968, the United States was engaged in a civil rights movement to improve the lives of African Americans across the nation. A series of court rulings, leadership by nonprofit and religious organizations, and numerous acts of nonviolent protest and civil disobedience became the hallmark of the modern civil rights era.

Many identify the beginning of the civil rights movement with the 1954 Supreme Court ruling in *Brown v. Board of Education of Topeka, Kansas.* The ruling established that segregation policies in American public schools were illegal. This court case was followed in 1955 by the historic civil disobedience of Rosa Parks, who refused to give up her seat on a Montgomery, Alabama, bus so it could be available to white citizens. Her action set off a year-long boycott of the Montgomery bus system and engaged the nation in a clash of ideas about the justice of a segregated society. In expressing the "empathy" of labor unions across the country, United Auto Workers President Walter Reuther sent a contribution of $25,000 to support the cause of justice (Clegg, 2003). In 1956, the U.S. Supreme Court declared that segregation on public buses is illegal.

Then, in 1957, the Reverend Martin Luther King Jr. joined others to establish the Southern Christian Leadership Conference (SCLC) to work for African American civil rights. SCLC joined other similar voluntary organizations in leading a citizen effort for social change. Examples include the National Association for the Advancement of Colored People (NAACP), and its efforts to enforce the new school desegregation law by helping nine African American children integrate the first school in Alabama. Groups like the Congress for Racial Equality (CORE) in 1961 led the effort to desegregate public travel across state lines by organizing a Freedom Ride.

In 1962, the Taconic Foundation, Field Foundation, and the Edgar Stern Family Fund together contributed more than $780,000 to support the Voter Education Project to address African American voter disenfranchisement in the South. And, in 1967, SCLC received $230,000 from the Ford Foundation to train and produce new leadership in the African American community in advance of the planned Poor People's Campaign of 1968 (Clegg, 2003).

This political activism resulted in

- the Civil Rights Act of 1964, which bans discrimination in employment;
- the Voting Rights Act of 1965, which protects the African American right to vote;
- the Immigration and Nationality Services Act of 1965, which opens immigration to more non European immigrants; and
- the Civil Rights Act of 1968, which bans discrimination in housing and renting.

The Women's Movement

The women's movement of the 1960s built on the success and dreams of the early suffrage movement, which successfully advocated for women's voting rights. Like African Americans who worked to complete the work of the Emancipation Proclamation through the civil rights movement, women in the United States organized themselves to complete the work of women's suffrage.

In 1963, the Commission on the Status of Women, chaired by Eleanor Roosevelt, documented problems with discrimination against women across American society. This federal commission was soon followed by state and local commissions that found similar results. Betty Friedan's 1963 book, *The Feminine Mystique* raised awareness in women of how their lives were being limited to the role of homemaker.

Title VII of the Civil Rights Act of 1964 prohibited employment discrimination based on sex. This was along with discrimination based on religion, national origin, or race. To enforce the new law, an Equal Employment Opportunity Commission was established.

In 1966, the National Organization for Women (NOW) was founded by Betty Friedan and others to advocate for women in the same way that the NAACP advocates for African Americans. Many young college women involved in advocacy against the Vietnam War and for civil rights for African Americans found that male leaders of these groups relegated them to menial clerical and support roles (National Women's History Project, 1997–2002).

These women started organizations that were called "women's liberation" organizations and held consciousness-raising meetings in their homes. Significant and focused philanthropic efforts on behalf of women's rights did not begin until 12 years after the founding of NOW. These included the Ms. Foundation, established by Gloria Steinem and the co-editors of *Ms.* magazine in 1972 (Women's Funding Network, n.d.). The Equal Rights Amendment, first proposed in 1923, was approved by Congress and sent to the states for ratification in 1972. So far, it has been ratified by 35 states, three states short of what is required and to make it part of the Constitution (see www.equalrightsamendment.org).

Fundraising and the Nonprofit Sector

As with any growing and independent organizational infrastructure, the need for resources to fund ideas and activities is a crucial component of any change agenda. As we like to say in my organization, *money is the lever to move social change, and knowledge is the power to make the right choices*. To this end, the nonprofit sector was in need of an ever more professional group of managers to raise dollars for its organizations, yet there was no national organization focused on assisting nonprofit fundraising professionals. In 1960, an initial step was taken in this direction by establishing the National Society of Fund Raisers, later becoming known as the National Society of Fund Raising Executives (NSFRE).

Benjamin Sklar from Brandeis University, Harry Rosen from the Federation of Jewish Philanthropies, and William R. Simms of the National Urban League came together in 1959 to discuss the need for an association for fundraisers. NSFRE was legally launched in New York in June 1960. By spring of 1962, there were 197 members. At the same time, there were significant changes in the manner that money could be raised. President Dwight D. Eisenhower had taken steps to organize fundraising within the federal government through the President's Committee on Fund Raising. By 1961, President Kennedy determined that the system was well organized enough to be moved totally into the Civil Service Commission as the new Combined Federal Campaign (U.S. Office of Personnel Management, n.d.). This provided a workplace giving option through payroll deduction for federal employees.

By the end of 1965, NSFRE had almost 500 members from 26 states, including Hawaii. NSFRE was truly becoming national, and the dream of an international association for fundraisers was slowly coming to fruition. Now called the Association of Fundraising Professionals (AFP; http://www.afpnet.org), there are in 2009 more than 30,000 members and more than 200 chapters around the world.

Volunteerism

In October 1961, speaking at the University of Michigan, President Kennedy encouraged students to give back to the nation as volunteers. This concept grew into an idea called the Peace Corps, and in August of 1961, he signed an executive order that launched the new international service organization. On September 22, Congress approved related legislation to "promote world peace and friendship" through three goals (Peace Corps, 2010):

1. To help the people of interested countries and areas in meeting their needs for trained men and women
2. To help promote a better understanding of Americans on the part of the peoples served
3. To help promote a better understanding of other peoples on the part of Americans

President Kennedy called for a formal and government-supported effort to engage U.S. citizens, particularly young people, in service around the world. He challenged the nation to "ask not what your country can do for you, but what you can do for your country."

A few years later, Volunteers in Service to America (VISTA) was established to engage Americans in domestic service opportunities. Soon, Peace Corps and VISTA volunteers would emerge from their service with new interests in positive youth development, and they helped to launch hundreds of local youth volunteering, service-learning, and philanthropy organizations and programs during the 1970s and 1980s. Many of these programs are designed to empower young people to join in service activities through local nonprofits and to volunteer to help children and youth. Over the years, federal efforts expanded to include the Retired Senior Volunteer Program (RSVP), Points of Light Foundation, Commission on National & Community Service, the Corporation for National & Community Service and the AmeriCorps programs.

The Great Society

Calling it the Great Society, President Johnson instituted a new era of federal money to support the work of the charitable sector. To this day, many nonprofits receive a large portion of their funding from contracts and grants from the federal government for services. This access to federal funding came with regulations, leading to an increasing blurring of lines between the governmental and the nonprofit sectors.

President Johnson introduced the idea of the Great Society at the University of Michigan, the same place where the Peace Corps was launched. In his speech, he stated:

> The Great Society rests on abundance and liberty for all. It demands an end to poverty and racial injustice, to which we are totally committed in our time. But that is just the beginning.
>
> The Great Society is a place where every child can find knowledge to enrich his mind and to enlarge his talents. It is a place where leisure is a welcome chance to build and reflect, not a feared cause of boredom and restlessness. It is a place where the city of man serves not only the needs of the body and the demands of commerce but the desire for beauty and the hunger for community. It is a place where man can renew contact with nature. It is a place which honors creation for its own sake and for what it adds to the understanding of the race. It is a place where men are more concerned with the quality of their goals than the quantity of their goods.
>
> But most of all, the Great Society is not a safe harbor, a resting place, a final objective, a finished work. It is a chal lenge constantly renewed, beckoning us toward a destiny where the meaning of our lives matches the marvelous prod ucts of our labor.
>
> So I want to talk to you today about three places where we begin to build the Great Society in our cities, in our coun tryside, and in our classrooms. (Johnson, 1964)

In 1965, President Johnson also introduced the culmination of President Kennedy's dream of a national service within the United States. President Johnson signed into law the VISTA (Volunteers in Service to America) act. He introduced the first VISTA volunteers by saying:

> Your pay will be low; the conditions of your labor often will be difficult. But you will have the satisfaction of leading a great national effort and you will have the ultimate reward which comes to those who serve their fellow man. (AmeriCorps, 2010)

Subcommittee on Foundations of the Select Committee on Small Business

While the nonprofit sector was growing rapidly, U.S. Representative Wright Patman (D-Texas) began holding hearings on foundations in 1961. He believed there were financial abuses that required federal investigation. The number of foundations was growing rapidly, and they were well known as good tax shelters for the wealthy.

Representative Patman believed that foundations and nonprofits were too powerful; had too much money and political influence; were being used to get around federal taxes; were not adequately regulated by the IRS; and did not compete fairly with corporate America. His concern about the secrecy of foundations became part of the regulations put in place in the 1969 Tax Act.

Because of Representative Patman's concerns, the Senate Finance Committee and the House Ways and Means Committee asked the Treasury Department to investigate. The 1965 Treasury Department's *Report on Private Foundations* conveyed six areas of concern about foundations:

1. *Delayed benefits to charity:* Some foundation kept their funds and did not make grants. The recommendation from the Treasury was to require some type of payment of grants, either giving away all of their income or a percentage of assets, whichever was greater.
2. *Self dealing:* Some foundations were involved in financial transactions that benefited the donor. The Treasury recommended that self dealing should be prohibited and a fine imposed for any wrongdoing.
3. *Foundation ownership of a business:* Some foundations held controlling interests in for profit companies. Treasury determined that this was unfair and recommended that the foundations should only own up to 20% of a company.
4. *Control of corporate property:* In a stock gift to a foundation, a donor could limit his business ownership and avoid some estate taxes. Treasury recommended that the foundation should make grants before the gift could be used to reduce taxes.
5. *Financial investments:* There was concern that some foundations were taking too much risk with their foundation investments. Treasury recommended prohibiting highly risky investments.
6. *Control of foundations by the donor:* Treasury suggested that there should be a limit to the control of the foundation board by the donor and family members.

These recommendations framed the Tax Reform Act of 1969 (U.S. Treasury Department, 1965).

Summary

The period from World War II until the passage of the 1969 Tax Act was a time of growth, prosperity, and turbulence that transformed the nonprofit and philanthropic sector. More than during any earlier period, this part of a citizen society demonstrated its economic power, capacity to help the work of government, and at critical points to push government toward more just policies for all people. As a result, government increased its reliance on the voluntary sector during the war years and came to fund and support the expansion of the sector during the 1960s. Partnerships between the government and philanthropic sector resulted in a blurring of lines between the public governmental and the private nonprofit and philanthropic.

While it's clear that the alliance between government and the nonprofit and philanthropic sector advanced the work and created great wealth for foundations, the other side of the relationship also produced increased levels of government oversight and rule making for a sector that had been almost exclusively private. Many of the laws, issues, and movements starting during this period affect the development and practice of nonprofit and philanthropic leadership to this very day. Understanding the roots of these issues will help future leaders to shape the charitable sector for the next century.

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History of Nonprofit Leadership in the United States

From the 1969 Tax Act to the Present

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The final decades of the 20th century saw an astronomical explosion of nonprofit organizations including public charities, private foundations, trade unions, trusts, cooperatives, endowments, and a score of volunteer associations. Regardless or perhaps because of the disturbances of war, political conflicts, civic unrest, stock market crashes, and economic instabilities, private giving has seemed immune to such dissonant fluctuations. Indeed, after the civil rights gains of the 1960s, women and members of minorities could more easily build associations (Hammack, 2001). Furthermore, with improved household income, families had the capacity to purchase a number of nonprofit services including education, health care, and other social services. Moreover, increased income also permitted increased charitable giving. Charitable giving transformed from a mere benevolent approach to a revolution of charitable principles.

Nonprofits have begun the new millennium with growth and abundance despite the evolutionary and transformational changes the sector encountered in the late 20th century. The catalyst, which was to revolutionize the nonprofit sector, was the enactment of the Tax Reform Act of 1969. In many ways, the act was the impetus that created a new division of American organizational life identified as the third sector (Arnsberger, Ludlum, Riley, & Stanton, 2008; O'Neill, 1989; Powell & Steinberg, 2006). Government and business are no longer the royals of organizational life. The public and private sector must now contend and compete with the diversified nonprofit body for knowledge and resources. By all measure, this entity is complex, vast, and seemingly indefinable in design or functionality due to its diversification. The Internal Revenue Service (IRS) has attempted general descriptions of the functionality of nonprofits, but as the range of nonprofits expands, the IRS is challenged to categorize the range of nonprofit activities. From the local cemetery association, to the Moose Lodge, to the Chamber of Commerce and the Nature Conservancy, the range of organizations in the section of the IRS tax code identified as 501(c) is enormous.

Both the National Center for Charitable Statistics (NCCS; http://nccs.urban.org) and the IRS use the National Taxonomy of Exempt Entities system established in the 1980s to classify nonprofit institutions, governments, associations, and organizations (see Appendix C). The extensive code exhibits more than 650 types of organizations able to obtain exempt status. Based on this system, the IRS nevertheless in its bureaucratic wisdom created its own comprehensive list of nonprofit activity codes for organizations filing for nonprofit exempt status. The most familiar is the code for the charitable tax-exempt organizations, 925, 501(c)(3).

With pressure from elements of the public and zealous state representatives, Congress saw fit to change the taxable structures of multimillion-dollar foundations because they were perceived as entities corporations could use to hide revenues under the guise of a nonprofit organization.

The Tax Reform Act levied severe restrictions primarily on private foundations. The Tax Reform Act implemented an "excise tax on investment income, minimum payout requirements, and specific limitations on charitable gifts to foundations and penalties for such activities as self-dealing and excess business building" (Arnsberger et al., 2008). However, of the organizations that seek tax-exempt status, most apply under activity code 925, commonly known as section 501(c). These include religious faith-based institutions, health care, education, human services, arts, culture, humanities, and public/society benefit organizations among others. These organizers are driven, among other reasons, by the continued belief that government is ill equipped and inefficient to provide services for the public interest and further is unable to provide sustained aid for the public good (Hammack, 1998, 2002; Light, 2000; O'Neill, 1989). Following the Tax Reform Act of 1969, a flood of new nonprofits were founded, and the number continues to grow. This chapter is devoted to examining the initiative, drive, and courage of individual and group leaders who have forged a new organizational universe known as the third sector.

> *Freedom consists not in doing what we like, but in having the right to do what we ought.*
>
> Pope John Paul II

Evolution of Nonprofits

The United States is a homeland of voluntary associations. Writing in the famed *Democracy in America*, Alexis de Tocqueville identified "Americans of all ages, all stations in life, and all types of dispositions [as] forever forming associations" (Heffner, 1956, p. 198). Tocqueville observed,

> There are not only commercial and industrial associations in which all take part, but others of a thousand different parts religious, moral, serious, futile, very general and very limited, immensely large and very minute. . . . Nothing, in my view, deserves more attention than the intellectual and moral asso ciations in America. (p. 199)

Thus, the early days of nationhood indicated the American propensity toward humanitarian and benevolent activities. However, Tocqueville could not have imagined the impact such associations would have on the operational infrastructure and financial revenues of the federal government. As early as 1789, the Founding Fathers saw fit to impose tariffs on goods and services. Secretary of the Treasury Alexander Hamilton intended for the first Hamilton tariff to be a source of government revenue for operations and to repay foreign and domestic debt. In the next seven decades, Congress was to enact scarcely 11 tariffs.

Then, motivated by the need to fund the Civil War, the history of formal American formal tax acts began in 1861. The first federal income tax was a simple flat percentage tax based on income from a profession, vocation, or property. The Revenue Act of 1861 began a long history of U.S. taxation. With the ratification of the Sixteenth Amendment in 1913, Congress gave itself the power to "lay and collect taxes on incomes from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration" (National Archives and Records Administration, 2010). Congress quickly followed with enactment of the Revenue Act of 1913, which launched the modern income tax system. The act included tax exemptions for charitable income (Arnsberger et al., 2008). To date, no fewer than 57 tax acts and codes have been enacted by Congress and signed by presidents (Arnsberger et al., 2008).

Religious and Faith-Based Nonprofits

Through wars, conflicts, and civil unrest, the United States experienced slow but steady nonprofit growth. However, between 1936 and 1996, the population of nonprofits and religious congregations grew to a staggering 1,188,510 organizations nationwide (Powell & Steinberg, 2006). Prior to the enactment of the Tax Reform Act of 1969, there were a total of 416,000 nonprofit organizations. Just 10 years later, that number nearly doubled to 825,000. Of these, 333,000 were congregations defined as faith-based religious organizations. Thus, nearly half of all nonprofit organizations have been related to religious associations. Indeed, James Douglas (1987), in his essay "Political Theories of Nonprofit Organizations," identifies enduring links between long-standing religious institutions and service to society, particularly the poor and downtrodden. Douglas explains,

> The fields of activity we most readily associate with nonprofit organizations include health care, education, religions, the arts, and a vast array of social welfare services. In medieval times, these activities would have come primarily within the jurisdiction of the church rather than the state. (p. 43)

This relational activity between the economically disadvantaged and congregations continues to present day.

By 1987, religious organizations accounted for 46% of charitable recipients, earning $43.61 billion (O'Neill, 1989, p. 11). However, by 2008, charitable contributions by individuals, foundations, and corporations reached $284.99 billion (National Center for Charitable Statistics, 2009). Of this amount, religious organizations continue to account for the largest share of estimated contributions with 34.7%, equating to nearly $99 billion annually.

Local religious and faith-based organizations respond to the problems of the economically disadvantaged by coordinating and providing basic health care and education programs. Through constant contact with local communities, religious congregations build relationships and familiarity through hands-on contact. Such organizations know the problems, social needs, and aspirations of disadvantaged communities. Knowing the limitations of government support, such charitable agencies often outlast short-term-only public assistance programs. The effort of community charitable nonprofits can sustain and build on developmental programs and bring about community change. While the form of support may be different, the priorities and requirements remain the same.

The leading national religious organizations that provide community support include the Catholic Church, Eastern Orthodox churches, Oriental Orthodox churches, and Protestant churches. Non-Judeo-Christian organizations include Ismaili and Ahmadiyya (Islamic), Tibetan Buddhism and Thailand Buddhists, and the Church of Scientology. Catholic Charities, USA, is associated with the Pontifical Council, Cor Unum, which globally administers charitable activities. Currently headquartered in Alexandra, Virginia, Catholic Charities was founded in 1910 and continues to be among the top 25 nonprofit organizations in the United States, with an annual income of $3.3 billion (National Philanthropic Trust [NPT], 2007; "Top 100," 2009). As it celebrates its centennial as a service and charity organization, Catholic Charities' primary mission continues to be reducing poverty. With a century of experience, this highly organized institution promotes advocacy for change by providing leadership training and networking opportunities, develops community programs, serves as a national advocate to promote human dignity, prepares for disasters, provides financial benefits to the economically disadvantaged within American society, and works to eradicate poverty and racism. Catholic Charities provides housing, food, health care, workforce training, and advocacy services to a number of groups, including people afflicted with AIDS, single parents, children, the elderly, the disabled, and immigrants.

Current president and CEO, the Reverend Larry Snyder, has held the reins of the organization since 2005. In partnership with the U.S. Conference of Catholic Bishops and Catholic Health Associations, Catholic Charities serves a national advocate for society's vulnerable population. Civil rights activist and scholar William E. B. Du Bois wrote, "To be a poor man is hard, but to be a poor race in a land of dollars is the very bottom of hardships" (Association of Black Foundation Executives, 2010). Catholic Charities has a strong legislative agenda to reduce poverty in America. Indeed, Reverend Snyder states that Catholic Charities proposes reducing national poverty in half by the year 2020 (Catholic Charities USA, 2010).

Other significant religious and faith-based organizations created after the Tax Reform Act of 1969 include the Bread for the World, the St. Ann Foundation, and Metropolitan Area Neighborhood Nutrition Alliance (MANNA). In 1972, a grassroots group of Catholic and Protestant ministers and laypeople convened to assess the formation of a nonpartisan Christian organization to end hunger in the United States. By 1974, the organization gained enough support as a collective to mobilize and focus its energies on influencing public policy and creating programs in an effort to resolve the cause and reduce the effects of hunger. For two decades, this charitable movement was led by a Lutheran minister, the Reverend Arthur Simon (NPT, 2007). Bread for the World continues its work as a collaborative of 58,000 members with the continued goal of addressing the cause of hunger.

The Sisters of Charity of St. Augustine have been serving in Cleveland, Ohio, since 1852. With a commitment to service, the sisters built St. Ann's Hospitals and other health care centers to serve the needs of the Cleveland communities. In 1973, the hospital was sold to Kaiser Permanente Medical Care Program. The resulting income permitted this religious community to establish the St. Ann Foundation, which became the nation's first health care conversion foundation able to provide grantmaking endowment services. Through its charitable services, the foundation supports religious, educational, and scientific health-related programs. As a model of success, St. Ann Foundation prompted more than 117 nonprofit hospitals to transfer assets to grantmaking foundations.

MANNA currently prepares more than 70,000 meals a day for homebound individuals, providing nourishment to clients living with HIV/AIDS, cancer, or other life-threatening illness. Established in 1990 by the First Presbyterian Church in Philadelphia, MANNA initially struggled for charitable and volunteer support due to the stigma and ignorance associated with HIV/AIDS. Today, MANNA serves children and adults, offering both nutritious meals and counseling. As a nonsectarian nonprofit, MANNA operates primarily through an army of volunteers serving the greater Philadelphia and southern New Jersey area.

While most religious ministries work toward community health care, welfare, and hunger, Habitat for Humanity International is an ecumenical Christian housing ministry that builds low-cost housing for economically disadvantaged communities worldwide. With strong Christian convictions, Millard and Linda Fuller originated the idea of partnership housing in 1976. Millard Fuller had started a successful marketing firm while still in college, and thanks to a natural keenness for business processes and an entrepreneurial drive, he earned his first million by the age of 29. His health and marriage suffered, however, and following a personal and spiritual renewal, the couple redefined their approach to wealth and focused their energies instead to creating a program that would build homes for the poor. The philosophy of the organization revolves around the belief that poor families need not charity, but capital; not caseworkers, but coworkers. Since then, Habitat for Humanity has built more than 300,000 homes and shelters worldwide. As one of the top 25 nonprofits in the United States, this Christian-based organization reported assets exceeding $1 billion in 2008 (National Center for Charitable Statistics, 2009).

In general, action by the religious nonprofit sector helps to relieve the public burden to care for the economically disadvantaged in American society. Such organizations validate the doctrine of separation of church and state. According to

David C. Hammack, nonprofit author and professor of history at Case Western Reserve University, the Tax Reform Act of 1969 encouraged an increase in nonprofits and nongovernment organizations (NGOs) in the United States because (2001, p. 158):

- all citizens are allowed to organize to provide services in ways that accord with their values and preferences;
- nonprofit organizations have clear legal titles to their properties and the right to sell services and to seek and hold donations; and
- governments invest tax revenues in the purchase of services provided by NGOs, and individual incomes are large enough to enable people to pay for a wide variety of services.

Third-sector organizations operate at their best when social and legislative change, community action, shared governance, and organizational missions come together in a common effort. Government funding throughout the final decades of the 20th century waxed and waned depending on the economy and the political agenda at the time. Public confidence in government and the economy has a tendency to rise and fall depending on the political or social crisis of the day. On the other hand, self-governing nonprofits can perform public welfare and support services outside the bureaucratic state. Free to organize without the pressures of paying income taxes, nonprofit sector organizations proliferated into the next millennium.

Nationwide, most nonprofit organizations are comparatively small, with fewer than 100 full-time employees. The majority of nonprofit employees work in a small group of rather large organizations, such as universities, hospitals, and human services agencies. According to the *Nonprofit Almanac of 2008*, nonprofits accounted for about 8.11% of all wages and salaries (National Center for Charitable Statistics, 2009). This equates to the employment of more than "12.9 million individuals or approximately 9.7 percent of the U.S. economy" (Blackwood, Wing, & Pollak, 2008). The most recent IRS report on tax-exempt status shows that between fiscal years 2005 and 2008, the number of active and sustained tax-exempt organizations rose from 1.7 million to nearly 1.9 million (Tax-Exempt Organizations and Nonexempt Charitable Trusts, Fiscal Years 2005–2008). In the early 1970s, there were 535,000 charitable and noncharitable nonprofit organizations and congregations. By 2009, the number of nonprofits had reached nearly 1.9 million. Thus, the implementation of the Tax Reform Act of 1969 was followed by a remarkable 72% increase in the number of nonprofit organizations.

The Seventies

The 1970s was termed the "me decade" by journalist and novelist Tom Wolfe in an essay titled "The Me Decade and the Third Great Awakening" from the 1976 issue of *New York* magazine. The phrase refers to what sociologists characterize as self-absorption. Nevertheless, following the Tax Reform Act of 1969, this decade saw a doubling of charitable and noncharitable nonprofit organizations. Lester M. Salamon (1994), director of the Institute for Policy Studies at the Johns Hopkins University, cautions,

> The proliferation of these groups may be permanently altering the relationship between states and citizens, with an impact extending far beyond the material services they provide. Virtually all of America's major social movements, for example, whether civil rights, environmental, consumer, women's or con servative, have had their roots in the nonprofit sector. (p. 109)

The diversity of nonprofits began to take shape in the seventies as public confidence in the government was low. Even with the end of the Vietnam War (1973), social disillusionment was confounded by a number of factors. These included opposition to nuclear weapons, an energy crisis (1979), an economic depression, the impeachment of President Richard Nixon (1974), the oil embargoes by the Organization of Arab Petroleum Exporting Countries (OAPEC) (1973 and 1979), and other conflicts such as the Soviet-Afghan War, Arab-Israeli conflicts, and the Iranian revolution. American society also experienced space exploration, the rise of computing technology, the early stages of an environmental movement, and a transformation of gender roles and civil rights for women and minorities. Thus, it was a period of intense political, economic, and social conflict, dramatic scientific development, and decisive social changes.

The time was ripe for the creation of specialized and specific nonprofits, including those related the environment, civil rights, science, and even animal rights. Peter Drucker, famed management and leadership guru, recognized that nonprofits would change their organizational structures, resulting in new strategies for employees and new models of shared governance and commitment to outcomes. Drucker identified the nonprofit sector as an organism with responsibility to forge "new bonds of community, a new commitment to active citizenship, to social responsibilities, to values" (as quoted in Gardiner, 2006, p. 66). Grassroots ideals funded by large philanthropic associations and continued benevolence of principled individuals contributed to the growth of nonprofits.

Following on the heels of the civil rights movement and anti–Vietnam War campaign, Robert S. Brown founded the Twenty-First Century Foundation (21CF) in 1971. The 21CF is "an endowed, national philanthropic institution that supports the civil rights, economic empowerment, and grassroots leadership of the African American community in the United States through its grantmaking and donor services" (NPT, 2007). Seeking to build economic growth at the peak of the civil rights fervor, Brown's innovative ideals fostered a variety of economic developmental vehicles to improve black communities.

With goals to support black community leadership, the Association of Black Foundation Executives (ABFE) was founded in 1971 to bring together foundation senior leaders from ethnic and racially diverse backgrounds (NPT, 2007). Founder James A. Joseph asserted, "The most fundamental contribution of civil society may be its message that doing something for someone else—making the condition of others our own—is the most powerful force in building community" (Association of Black Foundation Executives, 2010). As the field of philanthropic activities broadened among people of color, this affinity group sought to acknowledge all executives of color. Jean E. Fairfax, civil rights activist, expert in child education, and philanthropic leader, eloquently affirms, "Black trustees have an obligation to initiate honest discourse, even when it is not in the tradition and may be painful" (ABFE, 2010). Furthermore, recognizing that a collaborative network of influential trustees and grantmaking institutions would advance its mission of promoting effective and responsive munificence in black communities, ABFE become the first and oldest of the affinity groups that are a part of the Council on Foundations (COF). From its inception, the ABFE has been a trailblazer in promoting professional training programs, sharing best practices, sponsoring learning engagement opportunities, making recommendations for strategic philanthropic investments, and collaborating with the COF.

In its 40-year history, the ABFE has been a pioneer of development and improvement programs for black communities nationwide. In association with the COF, the ABFE has provided educational and technical assistance to individuals, increasing the power and effectiveness of nonprofits. In particular, member-driven networks such as the Council on Foundations are concerned with the many challenges faced as a result of government and political changes. Associations such as the COF strive to create awareness of and engagement in philanthropic action in order to promote successful projects and to achieve effective and sustainable program outcomes. As the voice of grantmaking foundations, COF influences more than $307 billion in philanthropic assets through its 2,100 grantmaking foundation and corporate members.

Other less endowed but prevalent nonprofit organizations of the 1970s include humanitarian, health care, and animal rights advocacy groups. Charitable trends in these areas were driven by the power of media and the increase in the number of American higher education institutions and expanded student activism on campuses across the country. Focusing a spotlight on a variety of civic issues, nonprofit activism has increased public knowledge, improved public policy, and stimulated greater motivation for civic engagement.

For example, beginning as a grassroots movement, but with a vibrant and judicious energy, the National Gay and Lesbian Task Force, Inc., was founded in New York in 1973. Its initial agenda was to create a political lobbying taskforce to bring gay-lesbian-bisexual-transgender (GLBT) issues to national awareness (NPT, 2007). Founded as a social welfare organization, the GLBT achieved tax-exempt status in 1974. The GLBT also lobbied to eliminate medical and civil law classifications that identified homosexuality as a disorder.

As an example in another area, when the 3-year-old daughter of Philadelphia Eagles tight end Fred Hill was in the hospital battling leukemia, her father spent hours sleeping on hard vinyl institutional chairs. His meals came from a vending machine. At a time when individuals are struggling with worry and concern for family members, uncomfortable surroundings tend to add more strain to an already difficult and emotional situation. Driven by the belief that there must be a better way, Hill gathered his teammates to raise funds to create a more hospitable and comfortable environment for families of ill children. With the support of the Eagles' general manager Jim Murray and Dr. Audrey Evans, Hill created a partnership with local McDonald's regional manager Ed Rensi to raise funds to open the first Ronald McDonald House. In so doing, a new community-based charitable organization was born, serving children and their families worldwide (NPT, 2007). In its 35-year history, the Ronald McDonald House Charities (RMHC; http://rmhc.org) has opened 271 houses in 52 countries and regions. As a foundation, RMHC has been able to expand services to vulnerable children in low-income communities by providing higher education scholarships and by dispatching mobile units to offer medical, dental, and health education services. Staying true to the mission of focusing on the needs of children, RMHC reported 2008 assets exceeding $123 million (National Center for Charitable Statistics, 2009).

America's Second Harvest, "the largest domestic hunger-relief organization in the United States," changed its name to Feeding America in 2008 (NPT, 2007). The organization grew out of St. Mary's Food Bank, established in 1976 by Jon van Hegel, a retired executive in Phoenix, Arizona. It was the country's first food bank. St. Mary's Food Bank received a federal grant to build a nationwide network of food banks. Hegel's initial innovation generated a multimillion-dollar hunger-relief organization with a mission to feed America's hungry. Today, Feeding America is among the largest food rescue and service organizations with current assets exceeding $657 million (NCCS, 2009). Through a network of more than 200 food banks in the United States and Puerto Rico, Feeding America retains partnerships with a number of corporate donors and government grants. Not limited to providing food for the poor, Feeding America also has a political voice lobbying for federal food safety and supplemental programs.

The Eighties: The Age of Conservatism and the Rise of Celebrity Endorsements

Novelist Tom Wolfe identified the eighties as the "splurge generation." Yet, the decade is best known as the age of conservatism primarily delivered by the strong conservative political agenda of President Ronald Reagan, known as the "great communicator." Wolfe envisioned the baby boomer generation spending its earnings on material goods and seeking personal status; the age of conservatism refers to the revival of laissez-faire economics, policies, and politics, better known as Reaganomics. Faced with double-digit inflation, newly elected President Reagan reduced government spending and lowered taxes to spur economic growth.

The eighties also saw higher health care costs, corporate mergers, the rise of AIDS-related deaths, natural and non-natural disasters, assassinations, and population growth. Regardless, in 1989 alone, Americans gave $115 billion to charity (NCCS, 2007). Thus, it can be said that the nonprofit sector continued to flourish during the age of social, political, and economic conservatism. The proliferation of nonprofits, along with the social environment of the times, sustained the momentum of charitable giving, grantmaking activities, and program redevelopment.

In 1986, Congress passed another tax reform, which again affected philanthropic activities. The main changes include "the end of not itemizing deductions, the inclusion of gain portions of gifts of appreciated property in calculating the alternative minimum tax, and finally the requirement that private foundations pay estimated tax" (Arnsberger et al., 2008). These actions by Congress did not prevent philanthropic action, community foundations, or specifically aimed associations from multiplying.

The rise of new nonprofits in the eighties began with the establishment of widely known organizations such as the Make a Wish Foundation, Mothers Against Drunk Drivers, Human Rights Campaign Foundation, the John D. and Catherine T. MacArthur Foundation, the Statue of Liberty–Ellis Island Foundation, the Betty Ford Center, and the Children's Miracle Network. However, in 1985, celebrity-endorsed nonprofit associations began to flourish, the purpose being to spotlight their specific cause and to mobilize supporters. In the early days of celebrity endorsement, most celebrities participated in philanthropic activities, not because it was popular to do so, but because they were true advocates of a cause. Nonprofit organizations were able to take advantage of such influential support because the celebrity's role brought more media attention and healthier fundraising revenues.

Among the first of such endorsers was Elizabeth Taylor, who determined to speak out to oppose discrimination against the GLBT community and those afflicted with HIV/AIDS. As noted, the rise of reported HIV/AIDS cases brought to light the need for national awareness of a disease that would eventually become a pandemic. As a cultural icon and international stage and screen star, Taylor joined forces with Dr. Mathilde Krim and a group of medical professionals to form the American Foundation for AIDS Research (amfAR) in 1985 (NCCS, 2007). As the organization's founding chairperson, Taylor was a vocal proponent who brought enormous media attention, as well as generous gifts initially totaling $2 million. On behalf of the foundation, Taylor traveled abroad to endorse awareness and fundraising. Her success and exposure resulted in the opportunity to testify before Congress to support the Ryan White CARE Act, which was enacted in 1990.

Comic Relief was launched by BBC-ONE in 1985 in response to African famine in the Sudan. The U.S. counterpart was founded by writer/comedian Bob Zmuda in 1986 with the purpose of raising funds for homeless individuals and health care services (NPT, 2007). American comedians Robin Williams, Billy Crystal, and Whoopi Goldberg hosted events. Throughout its existence, Comic Relief has featured more than 2,000 volunteer celebrities, including Woody Allen, Jerry Springer, and Johnny Depp. Unlike the British original, the American version of Comic Relief is hosted by Home Box Office (HBO) and is a sporadic event. Nevertheless, as a charitable organization, Comic Relief has raised and distributed $50 million and currently holds more than $4 million in assets.

The familiar grocery-shelf label featuring Paul Newman is a reflection of an innovative nonprofit branded by a famous and admired celebrity. Since the idea's inception in 1982, the corresponding charity, known as Newman's Own Foundation, has generated more than $280 million for human services, health, education, and the arts. This popular charity has a premise that all profits from the sales of products are to be donated (after taxes are paid) to specific charities, congregations, and causes of Newman's choosing. The first funds raised were donated to build a cost-free camp for children with cancer and other life-threatening illness. Called The Hole in the Wall Gang, the camp received a $5 million gift from Khaled Albegelan from Saudi Arabia to continue the work of providing a natural environment for chronically ill children (NPT, 2007).

In 1988, following the success of TV's *The Cosby Show,* comedian, television star, and professor Bill Cosby and his wife, Camille, donated $20 million to Spelman College. Located in Atlanta, Georgia, Spelman is the oldest (129 years) liberal arts college for black women. The endowment was intended to build a center housing academic departments and to endow three chairs in the liberal arts, social sciences, and humanities. The Camille Olivia Hanks Cosby Academic Center is also home to a writing and resource center and a museum. Of the 112 black colleges and universities, Spelman received the largest personal endowment gift ever made by an African American to an educational institution (NPT, 2007).

The close of the eighties saw a number of important social and political events. The Cold War ended, the U.S. Constitution celebrated its 200th birthday, the Exxon *Valdez* spilled oil in Alaska, arcade and video games and home computers flourished, faulty O-rings destroyed the space shuttle *Challenger,* the Berlin wall fell marking the reunification of Germany, Halley's Comet revisited the inner solar system, and ET phoned home. In the ever-expanding universe of nonprofits, many more trailblazing associations and grantmaking foundations collaborate to continue the work of social change, the alleviation of hunger for the financially indigent, and health care support for the economically disadvantaged.

The Nineties

The explosion of new media and communication sources such as the Internet and mobile telephones made the 1990s a vastly different decade. During the Clinton administration, middle-class wealth increased, yet a gap in earnings between minority groups and whites remained. The United States experienced nearly a decade of economic expansion. However, regardless of the countless philanthropic efforts, the Welfare Reform Act of 1996, and changes to public policy and tax codes, poverty in minority and rural communities persisted.

The first bombings on American soil since World War II—the World Trade Center (1993) and the Oklahoma City (1995)—brought the United States within the target ring of international terrorism. The attacks of September 11, 2001, on the World Trade Center and the Pentagon eliminated Americans' sense of security and complacency. Yet, regardless of potential threats, new foundations serving a variety of social, economic, and scientific causes and philanthropic activity continued to grow.

In 1991, the Keck I telescope was dedicated, thanks to funding from the W. M. Keck Foundation of Los Angeles. The foundation, founded in 1954, remains an energetic charitable organization supporting scientific, engineering, and medical research (NPT, 2007). The original funds came from William Myron Keck, president of Superior Oil Company (now Exxon Mobil). With the technological directions of this decade, the Keck Foundation was well suited to provide grants for engineering research.

Similar in concept to the Ronald McDonald Houses, Gilda's Club is an organization that provides resting places for women and their families dealing with the effects of ovarian cancer. In tribute to comedic actress and Emmy Award winner Gilda Radner, best known for her Roseanne Roseannadanna character on *Saturday Night Live*, the club was founded by Radner's husband, Gene Wilder, film critic Joel Siegel, and Gilda's psychotherapist, Joanna Bull, in 1991. The foundation has become a nationwide and worldwide entity with assets totaling nearly $8 million.

As Dame Elizabeth Taylor collaborated to create a foundation for HIV/AIDS, so too did singer composer Sir Elton John establish the Elton John AIDS Foundation in 1992. Its mission is to provide education awareness programs as well as hospice services for individuals living with the disease.

Famed publisher and diplomat Walter H. Annenberg stepped into the philanthropic history books by bequeathing $500 million to the Annenberg Foundation in 1993, dedicated to public education reform. Annenberg said,

> I believe in social responsibility. A man's service to others must be at least in ratio to the character of his own success in life. When one is fortunate enough to gain a measure of material well being, however small, service to others should be uppermost in his mind. (Annenberg Foundation, 2010)

Established in 1989, the foundation has a strong history of grant making. Annenberg allotted specific amounts to some areas of study: the arts, $23 million; public media, $90 million; higher education, $120 million; public education, $500 million; and professional educational development, $40 million (Annenberg Foundation, 2010). Later in 1998, Walter and Leonore Annenberg presented a gift of $10 million to build a complex to house the Liberty Bell and to renovate Independence Mall as a unit of the National Historical Park in Philadelphia (NPT, 2007).

With the admonition, "I'm putting the rich on notice," media mogul Ted Turner challenged America's wealthiest individuals to reconsider the source of their wealth and to donate more to charitable causes. He provided a model by pledging $1 billion to the United Nations. In 1997, the size and scope of the pledge were unprecedented. The gift was used to establish the United Nations Foundation. Unfortunately, because of a steep decline in Time Warner stock, Turner only donated $600 million of his original pledge.

Perhaps the most famous and beloved of all philanthropic foundations is that of talk show host Oprah Winfrey, called Oprah's Angel Network. Established in 1997 in an associative partnership with other nonprofits, it delivers a network of outreach programs to fulfill basic human needs and cultivate dignity (NPT, 2007). Serving primarily economically disadvantaged communities, the Angel Network has distributed $2.5 million to 33 organizations. The network, which has received more than $80 million in public donations, is associated with Habitat for Humanity International, the Boys and Girls Clubs of America, and UNICEF.

Finally, the nineties conclude with a pledge of $200 million in 1997 for the formidable task of connecting public libraries to the Internet. This gift was given to the Gates Library Foundation by the Bill & Melinda Gates Foundation (http://www.gatesfoundation.org), which was established in 1994 (NPT, 2007).

The New Millennium

The first steps into the next millennium were taken gingerly because of unsubstantiated fears of a Year 2000 computer bug generally referred to as the Y2K or millennium bug. The basis for concern was that some older computer systems might not adjust to the digital code of 00 representing the year, thus creating a logical processing error. Congress went so far as to pass the Year 2000 Information and Readiness Disclosure Act to ensure funding and readiness for potentially disastrous problems. While there were some glitches, all were easily resolved. Of course, the decade is overshadowed by terrorist attacks on the World Trade Center and the Pentagon, and the crash of a third hijacked airliner in a small field in Pennsylvania.

While this catastrophe had a serious impact on the American psyche, the nonprofit universe remained prosperous. As the nation mourned, the benevolent American spirit reacted with compassion and goodwill. Individual, group, and corporate donations flew to many well-established nonprofits such as the YMCA, United Way, Catholic Charities USA, Goodwill Industries International, the Salvation Army, American Red Cross, Boys & Girls Club of America, and a host of others.

The surge in donations continued for several years until the effects of the recession as well as natural disasters such as the Hurricane Katrina disaster of 2005 took their toll on the economy. Nevertheless, poverty remains a root cause of social, economic, and political disparities. Both technology and the globalization of telecommunications and transportation have expanded the world of capitalism and democracy, yet America still faces high unemployment, lack of proper health care, hunger, and poverty. This ensures a role for the expanding universe of nonprofit enterprises in the independent third sector.

According to the National Center for Charitable Statistics, the nation is home to 1,569,572 tax-exempt organizations, 997,579 of which are public charities, 118,423 private foundations, and 453,570 other nonprofits. Public charities reported more than $1.4 trillion in total revenues and $2.6 trillion in total assets for the 2007 fiscal year (NCCS, 2009). The numbers indicate the growing presence and future of nonprofits in the form of grantmaking foundations.

The 10 largest foundations hold 20% of all foundation assets nationwide, which equates to holdings of $91 billion in 2009 (see Table 15.1).

These prominent foundations are identified as grantmaking organizations dedicated to specific or specialized causes, movements, enterprises, or policy lobbying; or as operating foundations with an underlying principle to formulate and distribute grants, conduct social or scientific research, or provide client services. Of these the Bill & Melinda Gates Foundation, Ford Foundation, J. Paul Getty Trust, Lily Endowment, Inc., and the Robert Wood Johnson Foundation have retained the top 10 status for several years (Foundation Center, 2010).

Summary

This chapter has focused on recent history of nonprofits through tax reform legislation and social, economic, and political upheavals. This sector has recognized that as the environment to operate changes, the operation infrastructure must change as well to sustain viability and capacity building. New philanthropies and public charities have emerged in the first decade of the millennium, each contending with the economic recession. With the anticipated retirement of a large number of baby boom–era leaders of the sector over the next few years, a new generation will be asked to assume leadership positions. The training and professional preparation of this next, and demographically much smaller, generation is an important concern.

Rank	*Name (State)*	*Assets ($)*	*As of Fiscal Year End Date*
1.	Bill & Melinda Gates Foundation (WA)	29,889,702,125	12/31/2008
2.	J. Paul Getty Trust (CA)	10,837,340,620	06/30/2008
3.	The Ford Foundation (NY)	10,234,860,000	09/30/2009
4.	The Robert Wood Johnson Foundation (NJ)	7,513,607,363	12/31/2008
5.	W. K. Kellogg Foundation (MI)	6,813,784,639	08/31/2009
6.	The William and Flora Hewlett Foundation (CA)	6,208,980,453	12/31/2008
7.	Lilly Endowment Inc. (IN)	5,718,809,817	12/31/2008
8.	John D. and Catherine T. MacArthur Foundation (IL)	5,014,059,260	12/31/2008
9.	The David and Lucile Packard Foundation (CA)	4,650,858,492	12/31/2008
10.	Gordon and Betty Moore Foundation (CA)	4,509,705,996	12/31/2008

Table 15.1 Top 10 U.S. Foundations by Asset Size

SOURCE: The list is ranked by the market value of assets, based on the most current audited financial data in the Foundation Center's database as of April 20, 2010. Fiscal records will be updated when more recent audited financial information is obtained. The Foundation Center, http://foundationcenter.org/findfunders/topfunders/top100assets.html, 2010.

Two decades of celebrity endorsements and paparazzi attention to some nonprofit organizations have generally resulted in positive revenue increases, but when scandals occur in the nonprofit sector, they raise concerns among funders and citizens alike. In 1993, United Way of America CEO William Aramony was convicted of conspiracy, fraud, and filing false returns. In 1995, John G. Bennett Jr., was found to have created the largest Ponzi schemes in American history with the establishment of the Foundation for New Era Philanthropies (NPT, 2007).

The outlook, however, is promising. In its August 2009 special issue, the *Nonprofit Times* recognized top executives of the third sector when they wrote:

> Service is the new black. It's so fashionable that those leading the national service movement have packed the catwalk of *The 2009 NPT Power & Influence Top 50.* Whether it's military conscription, stipend service, or traditional volunteering community building is the core of the sector these days. ("Volunteering," 2009, p.15)

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16

Philanthropic Leadership in Totalitarian and Communist Countries

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Contrary to popular perceptions that civil society is a predominantly Western and especially American phenomenon, virtually every country has some form of organized civic activities. Civil society organizations operate in countries that substantially differ in the level of economic development, system of governance, and cultural and religious traditions (Salamon, Sokolowski, & Associates, 2004). This implies that Western political and economic institutions—democratic governance, constitutionally guaranteed rights and liberties, and market economy—are not a necessary condition for civil society, although empirical research demonstrates that these institutions create favorable conditions for civil society growth.

Therefore, a cross-national, comparative look at civil society institutions can offer invaluable insights into the operations of civil society organizations and their relationship to other social, political, and economic institutions. Totalitarian and communist countries are particularly important in such a comparative analysis because they offer counterfactual cases to historical analyses of civil society development in democratic countries. In comparative research, *counterfactual* denotes an exploration: What if a phenomenon of interest took place in a different set of historical circumstances? In this particular case, the value of this counterfactual is that it is an actually existing condition rather than one being merely hypothesized by researchers. The methodological value of this approach is highlighting the relationship between civil society and political institutions, especially government.

Despite the considerable attention it has received in academic research (Smith & Grønbjerg, 2006), the relationship between civil society and government is generally poorly understood in popular discourse. Perhaps the most prevailing misconception, both in the United States and newly democratized countries of Latin America and Eastern Europe, is that civil society is an alternative to government, especially in the realm of social protection. An empirical analysis of the government–civil society relationship under authoritarian rule, contrasting it to the relationship in democracies, will highlight the crucial role government plays in the functioning of civil society and help us explore the historical roots of misconceptions about that role. Although authoritarianism is a thing of the past in most modern countries, the political attitudes and intellectual frameworks that developed in such regimes still persist in public discourse to this day. Perhaps it is time to put these attitudes and frameworks shaped by the past to rest, and this chapter is intended to contribute to that goal.

This analysis can offer a valuable practical lesson for nonprofit leaders as well as policymakers, especially those working in countries that experienced periods of authoritarian rule in their recent history. It will allow them to put the government–civil society relationship in a much broader perspective than the one shaped by negative experiences in their particular countries. The chapter will also provide empirically grounded examples of "favorable" and "unfavorable" government–civil society relations, which in turn is helpful in crafting social policy that promotes growth of a healthy civil society.

Key Concepts

For the purpose of this chapter, *philanthropic leadership* is defined as people who manage, control, and otherwise directly influence the civil society sector (CSS). The CSS is a set of organizations, legally registered or informal, that are generally recognized and operating on a more or less permanent basis, organizations that do not distribute profits and are private (institutionally separate from government), self-governing (having the capacity to act, enter transactions, and cease operations in its own right), and noncompulsory (their membership is not coerced by state). This definition excludes entities that may perform philanthropic functions (e.g., give charitable grants) but are government agencies or their subsidiaries, enterprises whose primary purpose is procurement and distribution of economic gains to their owners or stockholders, or entities that are subsidiaries or arms of other organizations (Salamon et al., 2004, pp. 9–10).

Civil society organizations operate in countries that substantially differ in their level of economic development, system of governance, and cultural and religious traditions. Consequently, their organizational structure, behavior, and social functions differ to fit their particular environments. This cross-national variation in key dimensions of the CSS as a whole—size and composition of the workforce, activities, revenue sources, and a relationship with other social and political institutions, especially the government—is extremely useful in highlighting the roles of such organizations and the challenges they face under totalitarian or communist rule.

Totalitarianism and *communism* have been used in political science and popular discourse to denote and denounce political systems in which the government exercises total control of political, economic, and private lives. Because the definitions and usage of these concepts are tainted by ideological preferences of the users and thus prone to exaggeration and hyperbole, a more neutral approach is to identify empirically observable characteristics that identify specific political systems as totalitarian or communist.

For the purpose of this discussion, a political system is totalitarian if it allows the government, especially its executive branches, to systematically bypass or subvert the democratic process in imposing its policy priorities by the following means:

- Frequent and widespread curtailments of basic civil rights (such as the right to assembly, right to free speech, or the right to a due process) and basic economic interests (such as property rights or employment opportunity) of certain segments of the population
- Extensive control or manipulation of major political institutions, especially elections, the parliament, and the judiciary
- A governance system that systematically inhibits the political representation of views and preferences of significant segments of the population
- Frequent and widespread persecution of political opponents

The communist system is a subset of the totalitarian class, as defined above, and denotes a political system that meets the additional three criteria:

- Nationalization of most economic institutions and assets
- High level of government funding of social welfare services and the exclusive government provision of most of such services
- Adoption of an official state ideology proclaiming superiority of working class interests over other social class interests

Both concepts are mainly of historical significance, as none of the political regimes they denote exist today in any but a few peripheral states (e.g., North Korea or Burma.) This underscores the transitory nature of the regimes in question. Consequently, it is more accurate to say that rather than *being* totalitarian or communist, a country may *experience* a totalitarian or a communist period in its recent history. Examples of countries with totalitarian periods include Germany, Italy, Portugal, and Spain before and after World War II and Argentina and Chile in the 1970s. Examples of countries with communist periods include Russia after World War I and Czechoslovakia, Hungary, Poland, and Romania after World War II until 1989. The foregoing analysis focuses on a few countries selected for the purpose of illustrating the effects of totalitarianism and communism on civil society. It is not intended to provide a comprehensive list of countries that meet the above criteria of totalitarian and communist regimes and to which this analysis may apply by extrapolation.

Rather than being stable and continuous like the established democracies, both totalitarianism and communism were created by social upheavals, introduced large-scale social, political, and economic changes, and came to an end in a wave of other social, political, and economic changes. It is, therefore, useful to identify three stages in the rise and decline of these political systems: onset, interim, and termination.

The *onset stage* represents changes in the economy and society that create conditions leading to the imposition of totalitarian or communist regimes. In the case of totalitarian regimes, this typically represents industrialization and the rise of working-class power, which threatens the power of entrenched landed and industrial elites. In the case of communist regimes, economic backwardness and lagging industrialization led to social unrest and eventually the collapse of the premodern social and political order, typically precipitated by a war and a foreign invasion (Drake, 1996; Gerschenkron, 1952/1992; Moore, 1966; Paige, 1975; Rueschemeyer, Stephens, & Stephens, 1992; Wright, 2007).

The *interim stage* comprises social, political, and economic transformations introduced by the totalitarian or communist regimes themselves. In the case of totalitarian regimes, this typically includes an authoritarian governance system, based on military or single-party rule, a significant curtailment of civil liberties, economic policies reinforcing the power of existing industrial elites, and widespread persecution of perceived opponents. In some countries (e.g., Chile or Germany), these policies led to industrialization and economic development, whereas in others (e.g., Portugal or Spain), they resulted in prolonged economic stagnation.

In the case of communist regimes, the interim stage included, in addition to those characteristics listed above, nationalization of the economy, accelerated industrialization, rapid economic growth followed by stagnation (Chavance, 1994), urbanization, and the introduction of wide-ranging public education and social welfare programs funded and provided by the state.

The *termination stage* encompasses political and economic transformations implemented at the end of the totalitarian or the communist period and counteracting the effects of government policies pursued during the interim stage. For totalitarian regimes, the termination stage involves the liberalization of the polity (multiparty system, free elections) and a restoration of civil liberties, especially the freedom of speech and association. For communist regimes, this also includes de-nationalization of economic institutions and assets. In both cases, this stage involves significant cross-national transfer or isomorphic mimicry of social, political, and economic institutions that developed in industrialized countries, especially Western Europe (Hausner, Jessop, & Nielsen, 1995; Wedel, 1998).

Types of Government–Civil Society Relations

Each of these three stages had different impacts on the CSS and its leadership. These impacts can be demonstrated by contrasting the development of the CSS under the regimes in question with that in Western industrialized democracies. Inasmuch as such democracies guaranteed freedom of association to all or most of their citizens, associations were formed to tackle the adverse social impact of industrialization, to represent political and economic interests of various social groups, and to provide venues for cultural and leisure activities for the growing urban population. The growth of such associations was, in large part, a function of economic development—the more advanced the industrialization process, the greater the number of associations. These associations were formed and supported by private citizens and received little or no government assistance in the early days.

This significantly changed with the emergence of social welfare policies in the first half of the 20th century, which resulted in directing unprecedented amounts of public resources to the amelioration of social problems created by industrialization, such as unemployment, industrial injuries, sickness, or old-age destitution (Flora & Heidenheimer, 1987). There were three patterns in that development, which differed in the relative amount of public resources dedicated to social welfare and the role of private organizations in the provision of social welfare services (Salamon & Anheier, 1998; Salamon, Sokolowski, & Associates, in press).

Continental Western Europe developed a system of political organization termed *corporatism,* in which various interest groups, such as business associations, labor unions, or civil society organizations, cooperate with a governing jurisdiction to achieve common societal goals (Wiarda, 1996). Under the corporatist system, the level of government support of welfare services is very high, but the delivery of these services remains to a substantial degree in private hands, under the so-called subsidiary principle, which delineates responsibilities and duties of government and private parties in addressing social problems. This opened an immense opportunity for the existing civil society organizations, many of which were linked to organized religion, to become major providers of publicly funded social services (Evers & Laville, 2004).

The *liberal pattern,* prevailing in English-speaking countries, is characterized by limited government involvement in economic affairs, at least in prevailing doctrine. In this system, the level of government support of welfare services remained lower than that in the corporatist states, and the role of private philanthropy in funding such services was emphasized, at least in principle (Hall, 2002). However, growing social problems prompted more government social spending and enlisting private nonprofit organizations to deliver these services (Salamon, 1995).

Finally, in the *social democratic development,* prevailing in the Scandinavian countries, the government assumed both financing and delivery of social services (Esping-Andersen, 1990). The existing private service-providing organizations were incorporated into the public welfare system, as a consensus among leadership of such organizations emerged that this would improve both professionalism and service quality. The parts of the CSS that remained private were mainly civic associations and membership organizations serving as conduits for leisure activities Pestoff, 2004). This resulted in shifting the balance of CSS activities from the provision of human services (education, health, and social assistance) to the expression of cultural, social, and political interests of members, which includes cultural and recreational activities, sports, civic participation, and activities of professional associations and labor unions (Salamon et al., 2004, pp. 23–24).

In sum, the CSS in industrial democracies grew significantly as a result of two factors. First was the growing demand for social welfare services and the growing involvement of government in funding such services. This created an opportunity for the CSS to substantially expand its service operations. Indeed, about three fourths of the CSS resources in Western European countries are engaged in service delivery (health, education, and social services), and more than half of these resources come from government funding (Salamon et al., 2004). The second factor was the demand for political representation, participation in public affairs, and cultural expression of the population.

Under the totalitarian and communist regimes, however, the development of the CSS took a very different turn. This is partly a result of the dynamic and transitory nature of these regimes, pursuing radical social changes and spurring radical reactions to those changes, and partly an outcome of the policies these regimes adopted toward the CSS itself. The role and capacity of the CSS as a whole changed substantially from one stage of the regime development to another, and in the end the CSS re-emerged as a major player on the national stage, but with its capacity substantially weakened.

Civil Society Sector Under Totalitarianism

In the onset stage, countries experiencing totalitarian periods in their history went through processes similar to those observed in industrialized democracies—progressing industrialization created a need for social welfare services and political representation, which led to the growth of associations representing working-class interests, such as unions, mutuals, or cooperatives. This growing power of labor, which in some cases (Chile in 1970 and Spain in 1936) led to the election of left-leaning national governments, threatened the interests of entrenched rural and industrial elites, which were instrumental in orchestrating totalitarian takeovers of national governments (Drake, 1996; Kwon, 2004; Moore, 1966; Rueschemeyer et al., 1992; Stepan, 1985; Wright, 2007).

In the interim stage, the totalitarian governments suppressed or altogether eliminated the civil society organizations associated with left-leaning social movements and working-class interests (Drake, 1996; Stepan, 1985). However, organizations aligned with fascist movements as well as charities associated with organized religion, especially the Catholic Church, received government support (Barbetta, 1997, pp. 93–103; Franco, Sokolowski, Hairel, & Salamon, 2005). Due to an amicable relation between the Catholic Church and the political regime, church-affiliated organizations often provided a safe heaven for civil society activities otherwise repressed by the state (Irrarazaval, Hairel, Sokolowski, & Salamon, 2006).

The termination stage of totalitarian regimes varied significantly from country to country. In Italy and Germany, it was brought about by the military victory of the Allied forces, ending World War II. By contrast, totalitarian regimes of Portugal and Spain survived until the 1970s and ended with their respective dictators' demise. In Chile, the totalitarian government slowly drifted toward a free-market economy and eventually allowed free elections, which ended its reign in 1980. However, regardless of the course of events that ended totalitarian periods, the termination stage reinstated the corporatist models of social welfare based on government–CSS partnership in service delivery.

Germany had already developed corporatist policies toward social welfare in the onset stage (the Weimar Republic), and these policies were re-established during the termination stage in the Federal Republic of Germany (the German Democratic Republic, however, followed the communist model). As a result, the CSS again became a major government partner in welfare service delivery (Bode & Evers, 2004). Prior to the coup of 1973, Chile also pursued corporatist welfare policies, and the democratically elected government retuned to these policies after taking power in 1989, thus stimulating re-emergence of the CSS on the national stage (Irrarazaval et al., 2006). In Italy, the constitution introducing a social welfare model favoring the CSS as a government partner was passed in 1948, but that model was largely ignored until the 1970s. Instead, welfare services (especially health) were provided by public institutions controlled by political parties, which diminished the role of the CSS (Barbetta, 1997; Borzaga, 2004). In Portugal, the end of dictatorship in 1974 and subsequent integration to the European Union, as well as the strong position of the Catholic Church, strengthened the corporatist tendencies and public support for a service-providing CSS.

The overall effect of the totalitarian interlude on the development of the CSS is difficult to assess due to the lack of data. The first comprehensive measures of the CSS capacity and structure were undertaken in the 1990s, long after the totalitarian period had ended in the European countries considered here (Germany, Italy, Portugal, and Spain). However, an approximate assessment of that effect can be obtained by comparing these countries to other industrialized countries with corporatist models of social welfare that did not experience totalitarianism. Table 16.1 shows such a comparison for three dimensions of the CSS as a whole: the size of paid staff, volunteer participation, and the size of government payments (which include both service contracts and grants).

Country Group	*Paid Staff (% of EAP[1])*	*Volunteers (% of EAP)*	*Government Payments (% of CSS revenue)*
With totalitarian past	2.9	1.6	43
Corporatist	5.4	2.3	58
Global[2] average	2.7	1.6	34

Table 16.1 Size of Paid and Volunteer Staff and Government Payments to Civil Society Sector, Countries With Totalitarian Past Versus Corporatist Countries Versus Global Average

SOURCES: Salamon et al., 2004, Table 1.9; Franco et al., 2005 (data for Portugal).

[1]Economically active population.

[2]Based on 36 industrialized and developing countries.

The data in Table 16.1 show that the CSS in European countries that experienced totalitarianism in the past have a substantially lower level of paid employment than their corporatist counterparts (2.9% versus 5.4% of the economically active population [EAP]). However, differences in volunteer participation are much smaller than those in paid employment. The level of government payments to the CSS in countries with a totalitarian past is also markedly lower than that in corporatist countries (43% versus 58% of CSS revenue) but still higher than the global average (34%).

In interpreting these differences, one should keep in mind that countries that experienced a totalitarian rule had already developed a sizable CSS (but difficult to quantify due to the lack of data) prior to the totalitarian period. The totalitarian regimes suppressed those segments of that sector linked to labor interests and largely bypassed the service-providing organizations, implementing welfare policies in which the state played a central role. In this light, the differences shown in Table 16.1 suggest that totalitarian rule diminished the capacity of the CSS and strained government–CSS relations. These effects were difficult to overcome, even after the termination of totalitarian rule. However, extreme caution in accepting these conclusions is advised due to a rather long lag between the termination of totalitarian regimes in the countries of interest and the time when the measurements were taken.

Civil Society Sector Under Communism

The onset stage of communist rule is characterized by economic backwardness and a low level of urbanization caused by the concentration of political power in the hands of landed gentry (Gella, 1988; Moore, 1966; Paige, 1975; Rueschemeyer et al., 1992). This backwardness, in turn, is responsible for the underdevelopment of civil society in Eastern Europe vis-à-vis more developed Western neighbors, a fact that facilitated the success of the communist revolution in Russia (Trotsky, 1906/1996). Although subsequent communist takeovers in Eastern Europe resulted from the outcome of World War II, which led to Soviet control of its neighboring countries, the condition of social and economic backwardness still persisted in most of that geographical region (with the exception of East Germany, Bohemia, and Moravia).

In the interim stage, communist governments for the most part eliminated the civil society organizations linked to the bourgeois political order, which included right-leaning political parties as well as charitable organizations linked to organized religion. Their functions were replaced by a public welfare system conditioned on employment in the nationalized sector of the economy and administered by government agencies. The CSS, then, consisted of large-scale membership organizations instrumental for mobilizing popular support for government policies. These organizations fall into three broadly defined categories: professional associations and labor unions, political organizations (typically offshoots of the ruling Communist Party and youth organizations), and organizations for cultural, sport, and leisure activities. In the late 1960s, social service-oriented organizations were introduced, dealing primarily with social problems that the employment-based welfare system could not effectively address (alcoholism, drug abuse, or childhood disability). However, these organizations played a marginal role because public funding of private organizations was restricted (Sokolowski, 2001). Another type of organized activity that emerged during that time, especially in Hungary and the USSR, was environmental organizations formed to counterbalance adverse effects of industrialization (Lang-Pickvance, Manning, & Pickvance, 1997; Weiner, 1999).

The termination stage of the communist period occurred more or less simultaneously across the region in the late 1980s and early 1990s, after the Soviet-controlled governments allowed free elections as a part of the *pere stroika* (Russian for *restructuring*) campaign. The democratically elected governments renounced the official communist ideology, instituted multiparty governance, restored freedom of speech and assembly, and denationalized large segments of the economy.

These changes produced several different impacts on civil society development. First, the large membership organizations created during the interim stage were officially dissolved. Membership in these organizations started to decline from the late 1970s as a result of popular dissatisfaction with the regime, and the dissolution provided cadres and organizational know-how for new private civil society organizations. What is more, a push toward reforming public social welfare system encouraged many service professionals (physicians, social workers) to establish private organizations for the purpose of introducing new kinds of social and health services to local service markets (Sokolowski, 2000, 2001). Finally, the availability of foreign funding spurred the emergence of civil society organizations aiming to further various, often incoherent goals of Western donors (Wedel, 1998). Among these, the most noteworthy are efforts to introduce sustainable use of natural resources, sponsored by Greenpeace, the World Wildlife Fund, the Biodiversity Conservation Center, and the International Union for the Conservation of Nature.

The overall effect of the communist regime on the development of the CSS has two components. First is the effect of the social conditions in the onset stage—the rule of landed elites, which slowed economic development and urbanization and then facilitated the rise of communist rule in the first place. Second is the effect of government policies pursued during the interim stage.

The effects of the interim stage can be demonstrated by contrasting countries with a communist past (Czech Republic, Hungary, Romania, Slovakia, and Poland) to those that pursued similar state-centered social welfare policies but in a democratic fashion. The latter are exemplified by the social democratic Scandinavian countries discussed earlier (Finland, Norway, and Sweden). The effect of the social conditions prevailing in the onset stage can be assessed by contrasting the Czech Republic with Slovakia and Poland, which share the same communist past. However, the Czech Republic comprises two regions (Bohemia and Moravia) where the rule of the landed nobility ended in 1620 as a result of a military defeat by Habsburg forces. By contrast, the rule of landed nobility and its correlates, economic backwardness and predominantly rural character of society, extended into the 19th century in the territories that now belong to Slovakia and Poland (Gella, 1988).

Table 16.2 shows such a comparison for four dimensions of the CSS as a whole: the size of paid staff, volunteer participation, the scope of the expressive role, and the size of government payments (which include both service contracts and grants).

The implementation of a social welfare system in which the state was both the funder and provider of services—a common trait of the communist and social democratic regimes—shifted the balance of CSS activities from human service provision to expressive functions. This is demonstrated by the fact that in both social democratic (Scandinavian) and postcommunist countries, the share of the CSS workforce in expressive roles (50% and 64%, respectively) is almost double the global average (32%). The state financial support of CSS activities in both regime types (31% and 33% of CSS revenue) is also lower than that found in corporatist regimes (58%).

However, the democratic or authoritarian manner in which such a welfare model was implemented had a significant impact on the CSS capacity, especially volunteering. Under the social democratic model, the incorporation of private organizations into the public welfare system was a result of a democratic process and a broad consensus among organization leaders that such incorporation would improve the quality of services and was thus beneficial to the society. Under the communist model, by contrast, that incorporation was a hostile takeover and dissolution of "undesirable" organizational forms imposed in an authoritarian manner by the government. The end effect was significant decrease of the CSS capacity under the communist model vis-à-vis its social democratic counterpart. The size of the CSS paid staff in postcommunist countries (0.8% of EAP) is only about a third of both the Scandinavian and global averages (2.3% and 2.7%, respectively), whereas the size of the CSS volunteer staff (0.4% of EAP) is 10 times smaller than that in the Scandinavian countries (4.1%) and four times smaller than the global average (1.6%). A significant decline of public participation in civic activities due to popular dissatisfaction with government policies started in the early 1980s (Sokolowski, 2001, p. 57) and accelerated during the final phase of the interim stage (Lewenstein & Melchior, 1992).

The effect of onset conditions (backwardness and ruralism) is visible from a comparison of the Czech Republic to Slovakia (which until 1992 was a single country) and neighboring Poland. All three countries experienced a communist rule in the same time period, but the CSS employment and volunteer workforce in the Czech Republic (1.3% and 0.7% of EAP, respectively) were twice the size of those in Slovakia and Poland (0.6% and 0.2%, respectively), in the termination stage. A likely explanation of this difference is different social conditions during the onset stage. Prior to the onset of communist rule, the Czech lands were significantly more modern and urban than the Slovak or Polish territories.

Country Group	*Paid Staff (% of EAP[1])*	*Volunteers (% of EAP)*	*Expressive Role (% of workforce)*	*Government Payments (% of CSS revenue)*
With communist past	0.8%	0.4%	50%	31%
Czech Republic	1.3%	0.7%	54%	39%
Poland	0.6%	0.2%	46%	24%
Slovakia	0.6%	0.2%	59%	22%
Scandinavian	2.3%	4.1%	64%	33%
Global[2] average	2.7%	1.6%	32%	34%

Table 16.2 Size of Paid and Volunteer Staff, Scope of the Expressive Role, and Government Payments to the Civil Society Sector, Countries With Communist Past Versus Social-Democratic Countries Versus Global Average

SOURCE: Salamon et al., 2004, Tables 1.8 and 1.14.

[1]Economically active population.

[2]Based on 36 industrialized and developing countries.

Challenges for CSS Leadership

The transitory nature of the totalitarian and communist regimes pose two distinct challenges to the leadership of the CSS: the challenge of surviving government restrictions and marginalization of their activities under these regimes (the interim stage) and the challenge of renewal and catching up with democratic countries after the termination of these regime types. Because both regime types persecuted political opponents, civil society cadres often faced personal risk of imprisonment or even death resulting from their involvement, especially immediately after the imposition of totalitarian or communist rule. However, that risk was substantially reduced, if not altogether gone, in the final stages of these regimes. For example, toward the end of its rule, the military government of Chile gradually allowed greater freedom of assembly and tolerated limited activities of trade unions and organizations linked to the Catholic Church, and civil society organizations became a substitute for political parties (Irrarazaval et al., 2006).

Similar developments took place in the last stages of communist rule. The main challenges of that period involved effectively representing the interests of professional groups, such as engineers, technicians, or teachers (Kennedy, 1991; Konrad & Szelenyi, 1979), and overcoming huge bureaucratic obstacles in forming new organizations independent of state control (Kurczewski, 1992; Sokolowski, 2001).

After the termination of the regimes in question, the challenges of survival became mere historical anecdotes, and they were overshadowed by the challenges of rebuilding civil society. Although public attention focused mainly on political functions of civil society organizations, especially their role in restoring democracy, a far more important aspect of the postauthoritarian renewal was the service function these organizations were to perform. The main reason was the emerging consensus about the government–CSS partnership in the delivery of social welfare services (Evers & Lavile, 2004; Gidron et al., 1992; Salamon, 1995), which became the model for the new democracies.

Countries that had already established corporatist government–CSS relations prior to authoritarian rule (e.g., Chile or Germany) had a head start in implementing this welfare partnership model. However, countries in which corporatist relations were absent or underdeveloped prior to authoritarian rule (e.g., Poland) faced a difficult task of developing such a model almost from scratch. This posed a twofold challenge: introducing previously unknown types of social welfare services to the general population and convincing government agencies—unaccustomed to working with private partners—to financially support these services. Civil society organizations, whose innovation role has been established elsewhere (Kramer, 1981; Osborne, 1998), turned out to be a useful tool for service professionals aiming to introduce these novel services (Sokolowski, 2000, 2001). Despite its small capacity in postcommunist countries, the CSS performed an important innovation function during the transition period.

Summary

Totalitarian and communist regimes were transitory historical phenomena that emerged in response to challenges and problems of modernization and industrialization. They aimed at radical restructuring of key social, political, and economic institutions. The main thrust of these changes relied on a centralized state apparatus, and the CSS was generally perceived as marginal to the achievement of these aims. Consequently, these regimes suppressed or promoted civil society organizations according to whether they were antagonistic or instrumental in the achievement of their objectives. For the totalitarian regimes, organizations linked to labor interests were suppressed, and organizations performing traditional charitable functions linked to organized religion were tolerated or supported. The reverse was true for the communist regimes, which dissolved traditional charities, replacing them with public welfare institutions, and promoted large-scale membership organizations as the means of political mobilization and venues for leisure activities.

Totalitarian and communist policies toward the CSS reduced its capacity and strained government–CSS relations. This effect was particularly strong in countries under the communist regime due to two factors, economic backwardness and ruralism prevailing in the onset stage and the duration of the communist interlude, which was considerably longer (about 45 years) than the totalitarian interlude in most countries.

Despite these adverse effects, the CSS experienced quick rebirth after the end of the regimes in question. The most important aspect of that rebirth was the re-establishment of government–CSS partnerships in the delivery of social welfare services. In most countries that experienced totalitarianism, this was in essence a return to the CSS function already in place before the totalitarian period. For countries under communism, however, this was largely a novel function. Civil society organizations played an important role in implementing this innovation by introducing new services and building partnerships with government agencies to establish stable public financial support for the delivery of these services.

Although totalitarian and communist regimes belong to the past in most modern countries, these regimes still live in memory. The political attitudes and intellectual frameworks that they developed still persist in public discourse to this day. They produce misconceptions—especially among civil society leaders in Eastern Europe (and to a lesser degree in Latin America)—that government is the enemy of civil society, and the way to rebuild a robust CSS is private philanthropy rather than a healthy partnership with government. These misconceptions are fueled by neoliberal ideology disseminated by conservative Western think tanks. Perhaps, it is time to put these attitudes, frameworks, and misconceptions to a well-deserved rest.

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17

The American Presidency and Philanthropy Since the Civil War

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The focus of this chapter is on the American presidency and philanthropy since the Civil War. Yet, at the outset, it is important to set the stage, for there are more than a half dozen sources of philanthropy in the early American experience on which later presidents and first ladies would draw.

First are the examples of philanthropically minded leaders. Most famous of all was Benjamin Franklin, whose service and sacrifice made a lasting impression on America's civic culture. Franklin's impact on humankind's quality of life is fathomless, given his voluntary efforts to establish educational institutions, make cities more habitable, found improvement associations, advance science, and safeguard families (for example, by inventing the lightning rod).

Like Franklin, U.S. presidents and first ladies developed the idea and practice of philanthropy more than is generally realized. Indeed, several first families could rightly be considered the nation's "first givers," going all the way back to George and Martha Washington. The first "first family" made heroic sacrifices on behalf of the American founding, first during the 8 years of the War for Independence, then during the 8 years of the presidency.

Second are the U.S. Constitution and significant U.S. Supreme Court decisions, which limited government and helped establish our nation's free-market economy. Chief Justice John Marshall's Court instantiated "the pursuit of happiness" as a material right. Within the free-market framework, businesspeople who earned sufficient income could—and were encouraged to—donate to philanthropic causes. That ethos was certainly strong in the 19th century—as Andrew Carnegie's libraries illustrate. And in the 20th century, one sees the link between business success and philanthropic giving in Bill and Melinda Gates, who established the largest charitable foundation in human history, taking on such challenges as eradicating malaria and ignorance.

Third are the institutions in civil society—churches, temples, meeting houses, and mutual aid societies—that cultivated the philanthropic impulse in human nature. Civil society is an idea with a long history, traceable to Aristotle's *koinonia politike* and Cicero's *societas civilis.* By the time Alexis de Tocqueville visited the United States in the 1830s, it was clear that American civil society was one of our nation's greatest achievements. There were historical reasons for the development of civil society in the United States. Britain's habit of benign neglect toward her North American colonies had forced Americans to be self-reliant. Also, colonial government was less dominating, less intrusive, than government back in the homeland. Tocqueville concluded that civil society was much stronger in America than it was in Europe. Voluntary associations, he observed, were filled with superabundant force and energy to get things done. They performed indispensable functions. Such associations acted as the "independent eye of society," enabling people to help one another when the need was greater than an individual or family could meet, and when state action was too long in coming or not the optimal solution in any case (Whitney, 2002, p. 152).

Fourth is America's particular cultural legacy, which included periodic great awakenings, the transcendental movement, the social gospel, and earnest efforts at moral improvement, altruism, and service to others. Fifth, and especially important in the American context, has been the challenge of the frontier, which encouraged self-reliance. Barn-raising is the iconic expression of “haves” donating time, talent, and treasure to neighboring “have-nots” with whom they were sympathetic. Sixth, from the earliest days of the nation, numerous military engagements have encouraged Americans to give aid to soldiers and military families. Seventh, economists estimate that at least two dozen economic downturns have occurred in U.S. history, the more severe of which were called *panics,* then *depressions,* then *recessions,* which often brought Americans together in a philanthropic spirit.

These seven factors and others would powerfully shape the American ethos of philanthropy among U.S. presidents, first ladies, and citizens. Indeed, the United States would acquire a global reputation for its generosity at home and abroad. Our nation’s reputation for generosity was buttressed by the actions of a few key presidents demonstrating “goodwill to fellowmen,” and making “the active effort to promote human welfare,” which are elements in the typical definition of *philanthropy.*

Two Presidential Models

Two 20th-century presidents in particular have shaped the presidential approach to promoting human welfare—Herbert Hoover and John F. Kennedy. No two modern presidents strike a starker contrast in our collective memory. Citizens today associate one with the gray and desperate images of the Great Depression, and the other with the bright and hopeful symbols of the dawning sixties. We associate one with age and outmoded ideas, and the other with youth and vision. One is judged in textbooks and in popular rankings as a failed president and the other as a near-great president who could have accomplished more, had he not been assassinated. Scholars and citizens continue to debate the divergent legacies of both men, but what receives less attention is a quality they had in common. Hoover and Kennedy are forever linked by their shared faith in American generosity and idealism. Both men inspired and were inspired by the charitable spirit of Americans, and they are drawn together still by enduring models they advanced for using the presidency to stimulate philanthropy. Kennedy’s Peace Corps showed what presidents can do; Hoover’s relief efforts showed what ex-presidents can do; numerous commanders-in-chief have followed in their footsteps.

Hoover and Kennedy agreed on the first principle of generosity in the United States: Ultimately, the servant’s calling must come from within. Hoover was quick to point out that only dictators can demand individual effort from the top down. In democracies, effort must be galvanized “from the bottom up.” Kennedy recognized the same truth in the midst of the Cold War, when he hoped to send young Americans abroad to serve the developing world and to compete for hearts and minds. He saw absolute dictators training and volunteering “hundreds of men and women, scientists, physicists, teachers, engineers, doctors, [and] nurses . . . in the service of world communism.”[1] Can a free society compete? That’s the question Kennedy posed to students at the University of Michigan in 1960. “I think it can, and I think Americans are willing to contribute.”[2]

Where Hoover and Kennedy differed—this is key—was in their use of federal authority to *organize* American generosity. This was at least in part an outcome of differences in context and generational assumptions. Hoover took the oath of office amid prosperity. In the post–World War I years, there was a sense of normalcy in which culture, business, and the middle class flourished. Hoover regarded himself as a president in the spirit of the Progressive era—a period that celebrated government reform, along with the power of professionals and the middle class to assist those in need and to cure social ills from the bottom up. His defeat at the hands of Franklin Roosevelt in 1932 ushered in the New Deal, causing a fundamental shift in assumptions about the appropriate role of the federal government in the life of the nation. When Hoover took office, however, he preferred to use his *informal* powers—above all, professional reputation and prestige—to inspire generosity organized at the grassroots.

Kennedy, on the other hand, became president within living memory of Roosevelt’s and Eisenhower’s administrations, which encouraged the notion, according to political scientist Thomas Cronin, that American presidents were both omnipotent and benevolent (Nelson, 2006, p. 2). No symbol better suggested this notion than Camelot—that idealized castle and court of the wise and benign King Arthur, a legend that came to be popularly associated with the Kennedy clan and administration. Coming before Lyndon Johnson and Richard Nixon, Kennedy was inaugurated in a time when Americans trusted their president to exercise federal power and when academics Richard Neustadt and James MacGregor Burns wrote books exploring ways to further expand the president’s power (Nelson, 2006, pp. 2–3). It is, therefore, not surprising that Kennedy was comfortable taking a different tack from that of Hoover by using *formal* powers—executive orders, public laws, and federal budgets—to organize American generosity from the White House.

Of course, both men and their approaches to government were also shaped by a lifetime of experience before they reached the peak of national power.

Herbert Hoover and Food Relief

Hoover’s approach to stimulating philanthropy was forged through a two-decades-long career in the private sector that took him to distant corners of the world. Orphaned at the age of nine, Hoover lived with various aunts and uncles before matriculating tuition-free at Stanford University. A member of Stanford’s inaugural graduating class, Hoover spent much of his life before the age of 42 amassing a personal fortune as a mining engineer in England, Australia, and China and as a mining consultant all over the world. His successes gained him a considerable professional reputation and a great deal of prestige—two vital ingredients for public influence. He began putting his tremendous wealth and influence—not to mention his organizational skills—to good use for the public interest 15 years before taking the oath of office as president. On August 3, 1914, the American ambassador to Great Britain contacted Hoover, who was by that time a well-known American national in Europe, urgently requesting assistance in relieving and repatriating 120,000 Americans stranded by the "guns of August." By nightfall the next day, Hoover had organized 500 volunteers and a relief center that fed, clothed, and dispatched to the United States his distressed countrymen. Hoover and his engineering colleagues helped finance the operation with a $1.5 million loan. This was only the beginning, as Hoover later acknowledged. "I did not realize it at the moment," he said, "but . . . I was on the slippery road of public life."[3]

Before Hoover's humanitarian career ended, scholars estimate that he kept an astounding 80 million people from malnutrition and starvation. Biographer George Nash contends that Hoover fed more people than any other human being who has ever walked the planet. As a private citizen, he organized what became the Committee for Relief in Belgium (CRB), carrying through combatant lines of German-occupied Belgium meat, beans, wheat, rice, and corn from North and South America and Asia.[4] As head of the U.S. Food Administration under President Woodrow Wilson, Hoover organized efforts on the home front to conserve domestic foodstuffs for distribution in war-torn Europe. "Food will win the war," became Hoover's motto, and citizens from coast to coast supported the effort by participating in Hoover's meatless Mondays and wheatless Wednesdays.

As postwar head of the American Relief Administration, he fed millions of starving Europeans, finding food surpluses across the globe, negotiating prices, and distributing food to places of greatest need. As secretary of commerce, Hoover directed emergency relief efforts after the great Mississippi River flood of 1927 displaced 1.5 million Americans in six states. Decades later, at the end of World War II, President Harry Truman enlisted elder statesman Hoover to feed millions of Germans after their government and economy collapsed. Hoover toured Germany and Austria to assess the situation, wrote commission reports shaping the president's policy, and initiated a school meals program that fed an estimated 3.5 million children.

Hoover's relief efforts made him an international hero. In the United States today, we recall "Hoovervilles"—shanty towns where the homeless gathered during the Great Depression. Abroad, many recall earlier words derived from Hoover's name. "Hoover lunches" (Hoover *Speisungen* in German) fed starving Belgians during World War I and Germans after World War II. *Hooverplein* was a square in Louven, Belgium, named for their hero. To "hoover" meant to help, and to "hooverize" in the United States meant to sacrifice comforts at home to benefit starving allies abroad.[5]

Through all of his relief efforts, Hoover learned four lessons that he would apply to his stimulation of philanthropy during and after the presidency. First, the American people can be counted on to sacrifice their comforts and to mobilize tremendous resources to help neighbors and destitute citizens of the world. His European relief efforts benefited from numerous food and clothing drives on the home front and from fundraising events, individual contributions, and an enormous supply of volunteer labor. "If you tell them what is needed," Hoover said of the American people, "they will give you anything and everything."[6]

A second lesson was that nonprofit organizations are the surest means for providing relief. During World War I, Hoover worked with countless nonprofit organizations to collect and distribute needed resources. The National Committee on Food for Small Democracies, Finnish Relief Fund, Polish Relief Commission, Famine Emergency, and Hoover's own American Relief Administration and European Children's Fund are just a few of numerous examples.

Third, Hoover learned that the best-designed voluntary and charitable efforts are guided from the top but accomplished from the bottom. "Centralize ideas but decentralize execution," he said (Irwin, 1928, p. 193). After World War II, Hoover depended heavily on the American Red Cross, an organization he had counseled in the 1920s. He recommended that the organization rebuild itself on an international scale, with a central office managing the big picture and a decentralized network of local agencies executing voluntary and charitable efforts throughout the world. "Through cooperation with these agencies," Hoover argued, "the support of the whole world can be mobilized on any one point or any one effort."[7] This brand of decentralization was the organizing principle for all of Hoover's relief efforts.

Fourth, Hoover learned that his own reputation and prestige were a crucial force in inspiring others to serve and sacrifice. During and after World War I, Hoover himself traveled the world as European relief's chief diplomat, negotiator, fundraiser, volunteer organizer, and communicator. His presence—his *leadership*—lent credibility and energy to the efforts of countless thousands across the globe. Depend on the people, depend on nonprofits, decentralize execution, and leverage personal prestige—these are the lessons Hoover learned about mobilizing service and giving.

John F. Kennedy and the Spirit of National Service

John F. Kennedy's approach to stimulating philanthropy was forged through an upbringing and lifestyle that stood far outside what was typical of his times. His parents, Joseph and Rose Kennedy, had risen from the middle class to great wealth through Joseph's banking and real estate careers, his dubious trading on preregulation Wall Street, and his sometimes controversial interests in liquor imports and Hollywood film production. Joseph's eventual fortune allowed him to move his family to wealthy Bronxville, New York, and to purchase seasonal homes in Hyannis Port, Massachusetts, and Palm Beach, Florida—where the entire family famously gathered for summers and holidays. It also allowed him to set up $10 million trust funds for each of his nine children. Yet, Joseph and Rose Kennedy cultivated a spirit of national service among their children. "Of those to whom much is given," John Kennedy would later say, paraphrasing the New Testament, "much is required."[8] Public issues and national politics were constant fodder for debate at the Kennedy dinner table. Rose would post articles for the children to read. Joseph would present a subject over dinner, biographer Geoffrey Perret (2001) writes, "for the light of Kennedy brains and wit to play upon" (p. 30). Each member of the Kennedy clan supposed some form of national service was in his or her future, and, in fact, five of the six eligible children volunteered to serve during World War II—Joe Jr. and John in the Navy, Kathleen in the Red Cross, Eunice in the State Department, and Robert in the Naval Reserve. The youngest Kennedy child, Ted, served in the army during the Korean War. The family's commitment was magnified in the years ahead, as each of the three eldest sons—Joe, John, and Bobby—was killed in the service of his country.

In the course of his upbringing and education, John F. Kennedy learned three lessons that, as president, would apply to his encouragement of philanthropy. First, individual leaders are often the shapers of history. He did not believe that huge and impersonal forces move men. "Kennedy felt individuals could make a difference for history, and within limits could make a great difference," said Kennedy adviser and biographer Arthur Schlesinger Jr. (quoted in Smith, 2004, p. 684). This belief was informed by his voracious reading of history and biography—his lifelong study of American and European statesmen. It was also informed by his presence in the British House of Commons in 1939 as Parliament prepared to declare war against Germany, by his own wartime service, and by his contemplation of the momentous effects of political decisions on ordinary people. It was shaped by his observation of Potsdam and the San Francisco U.N. Conference—where he came face to face with the world's most consequential leaders. Finally, it was shaped by his research for two books—*Why England Slept* and *Profiles in Courage*—which uncovered the consequences of both cowardly and courageous individuals.

Second, he learned to put great faith in the power of government to have a positive impact on lives. He came of age during the Great Depression and watched as his conservative father—with the help of Arthur Krock—wrote his 1936 book, *I'm for Roosevelt*, in support of New Deal programs. Faith in government and in Democratic politics was Kennedy's inheritance. His paternal grandfather, P. J. Kennedy, had served five terms as a Democrat in the Massachusetts House of Representatives, then three terms in the state Senate, and finally had given a seconding speech for the nomination of Grover Cleveland for president at the 1888 Democratic National Convention. John Kennedy's maternal grandfather, John "Honey Fitz" Fitzgerald, had been a Democratic member of the Boston Common Council, state senator, three-term U.S. congressman, two-term mayor of Boston, and chair of the Massachusetts delegation to the Democratic National Convention in 1912. John Kennedy's father, Joseph P. Kennedy, had leveraged his business successes to become the first chairman of the U.S. Securities and Exchange Commission under President Franklin Roosevelt and then the U.S. ambassador to Great Britain. John's older brother Joe talked openly about his intention to become president of the United States.

Growing up, John Kennedy would have taken for granted access to the highest public offices available. The year after he was born, Henry Adams—grandson and great-grandson of presidents and son of a U.S. representative and ambassador to Great Britain—described his boyhood meeting with President Zachary Taylor (famously referring to himself in the third person):

> The President was friendly, and the boy felt no sense of strangeness that he could ever recall. . . . As for the White House, all the boy's family had lived there, and barring the eight years of Andrew Jackson's reign, had been more or less at home there ever since it was built. The boy half thought he owned it, and took for granted that he should some day live in it. He felt no sensation whatever before Presidents. A President was a matter of course in every respectable family. (Adams, 2000, p. 46)

John Kennedy—who from an early age traveled the world and met with presidents and prime ministers—must have felt similarly at ease in the presence of power.

Third, Kennedy learned that the American people—especially the young—are eager to serve. In Massachusetts, Kennedy followed in his grandfather Honey Fitz's footsteps as a campaigner who won his seat one handshake at a time (Perret, 2001, p. 24). He continued his intimate campaigning style as a national candidate. Long-time adviser and speechwriter Theodore Sorensen noted that at the outset of his political career, Kennedy had seen much of the world but little of his own country. But by 1961, "it could be said that no President had ever seen so often and known so well the people and the problems of every part of the country" (Sorenson, 2009, p. 27). In fact, Kennedy is credited for being the first president to win his party's nomination through an aggressive, coast-to-coast campaign—on a scale normally reserved for the general election—rather than through back-channel power brokering at the national convention. As he met more and more Americans and witnessed their idealism, he grew confident that he could make a call to service a central theme of his presidency. Have faith in the power of great men and women to make history; have faith in governing institutions; and have faith in the readiness of Americans to serve—these are lessons that shaped Kennedy's approach to mobilizing service and giving.

Organizing Philanthropy From the White House

Kennedy's context and experience prepared him to provide the more aggressive presidential model for organizing philanthropy. His Peace Corps is the model case. The Peace Corps was a program with many fathers, according to Sorensen, including Senators Hubert Humphrey and William Fulbright, Congressman Henry Reuss, General James Gavin, Governor Fritz Hollings, and Kennedy advisers Milton Shapp and Fred Dutton (Sorenson, 2008, p. 329). Senator Humphrey, in fact, introduced a failed Peace Corps bill in the Senate in 1957. However, when Kennedy brought the idea to the 1960 presidential campaign trail, then put the energy of the executive behind it in 1961, the Peace Corps was established. The Peace Corps is an American volunteer program run by the federal government, which sends citizens all over the developing world to provide technical expertise and service. As of 2010, the program had sent nearly 200,000 volunteers to serve in 139 host nations (Peace Corps, 2009). Kennedy used the informal and formal powers of the presidency to make it happen.

First, Kennedy placed himself in the role of "the great man." The large and impersonal forces of history may have factored into his ascendancy, but Kennedy decided to use his moment to push history forward. He called an entire generation of Americans to service. "We are not here to curse the darkness; we are here to light a candle." So said the newly nominated presidential candidate at the 1960 Democratic convention.

> We stand today on the edge of a New Frontier. . . . But the New Frontier of which I speak is not a set of promises. It is a set of challenges. It sums up not what I intend to offer to the American people, but what I intend to ask of them. . . . It holds out the promise of more sacrifice instead of more security.[9]

Six months later, President Kennedy's famous inaugural words articulated his call to service against tyranny, poverty, and disease. "The torch has been passed to a new generation of Americans," he declared. But that generation must know that "here on earth God's work must truly be our own." Then: "Ask not what your country can do for you—ask what you can do for your country." Playing the great man, Kennedy worked to inspire a generation of followers to carry forward his charge to "light the world."[10]

He publicly proposed the Peace Corps at a student rally at the University of Michigan. "How many of you who are going to be doctors are willing to spend your days in Ghana?" he asked in October 1960.

> Technicians or engineers, how many of you are willing to work in the Foreign Service and spend your lives traveling around the world? On your willingness to do that, not merely to serve one year or two years in the service, but on your willingness to contribute part of your life to this country, I think will depend the answer whether a free society can compete.[11]

The public response was overwhelming, so Kennedy proposed the Peace Corps in a national address 3 weeks later. "We cannot discontinue training our young men as soldiers of war," he said in San Francisco, "but we also want them to be ambassadors of peace."[12]

Second, Kennedy used his formal powers in the White House to create a government institution that would organize Americans eager to answer his call to service. Kennedy's Executive Order 10924 established and funded the Peace Corps and its director under the Department of State. "We will send those abroad who are committed to the concept which motivates the Peace Corps," Kennedy said on signing the Executive Order.

> It will not be easy. None of the men and women will be paid a salary. They will live at the same level as the citizens of the country which they are sent to, doing the same work, eating the same food, speaking the same language.[13]

Within months, Kennedy requested and signed Congress's Peace Corps Act to make the program permanent and give it greater definition.

Finally, he released the energy and idealism of the American people. In the last 3 years of his life, Kennedy promoted the Peace Corps with 60 speeches in 20 cities—from Los Angeles to New York and from Chicago to New Orleans. He talked about it in each of his three State of the Union addresses. He talked about it to international audiences at the United Nations and in Bonn, Valencia, Mexico City, and San Juan. The corps began with 500 volunteers in 1961. It grew to 900 by 1963 and 12,000 by 1965 (Sorenson, 2008, p. 332). Using the energy of the executive, President Kennedy organized what was perhaps the largest philanthropic outpouring of his generation.

By contrast, Hoover refused to organize philanthropy from the White House. He believed in the people, in nonprofits, and in decentralized generosity. "The friendliness and charity of our countrymen can always be relied upon to relieve their fellow citizens in misfortune," Hoover said 3 years into his presidency. "This is not an issue as to whether the people are going hungry or cold in the United States," Hoover said,

> It is solely a question of the best method by which hunger and cold can be prevented. It is a question as to whether the American people . . . will maintain the spirit of charity and of mutual self help through voluntary giving and the responsibility of local government. . . . My own conviction is strongly that if we break down this sense of responsibility . . . we

> have not only impaired something infinitely valuable in the life of the American people but have struck at the roots of self government.[14]

Hoover's view was immensely attractive to many Americans in his day, and it remains so today. George H. W. Bush successfully mobilized volunteerism with his articulation of the "thousand points of light." But of course, the Great Depression presented a uniquely devastating set of challenges. Local governments and charities collapsed under the tremendous weight of citizens' needs, and beleaguered Americans had fewer resources to give. The sad irony of Hoover's presidency is that his heroics during and after World War I had been successful, yet had forged in him a philosophy ill-equipped to deal with the depths of the Great Depression. Civil society could not be counted on to provide relief when civil society itself was crumbling.

After losing the 1932 presidential election, Hoover went on to provide a tremendous model for what an ex-president can do to promote philanthropy. First, he lent his prestige to charitable organizations after leaving the White House. The Boy Scouts of America, Boys' Clubs of America, and the American Red Cross, in particular, benefited from Hoover's support. His name was printed on their letterhead; he wrote personal letters of support; and he became their champion.

Second, he was at his president's call to serve. After World War II, he was dispatched by President Truman to assess food needs and food surpluses and to draft commission reports that would shape presidential policy. In the spring and summer of 1946, Hoover—age 71—personally visited nearly 40 nations. He was indefatigable. In March, he visited Canada, Portugal, France, Italy, Switzerland, Czechoslovakia, Poland, and Finland. In April, he was in Sweden, Norway, England, Belgium, Holland, Denmark, Germany, Austria, Yugoslavia, Greece, Egypt, Iraq, India, Thailand, and the Philippines. In May, he was in China, Korea, Japan, Mexico, Panama, Colombia, and Ecuador. Finally, in June, Hoover visited Peru, Chile, Argentina, Uruguay, Brazil, Venezuela, and Cuba. Along the way, Hoover gauged the world's needs, met with world leaders to enlist their support, delivered impassioned speeches, and remained connected to the American people and president. Hoover's travel journal, where he wrote that he had to attend all events "with a mighty painful back," may be the single most valuable firsthand account of geopolitics in the wake of World War II.[15]

Finally, he used personal diplomacy to rally the American people and world leaders to yet another relief effort. "Hunger hangs over the homes of more than 800,000,000 people—over one-third of the people on earth," Hoover told Americans gathered in Chicago. "If we can succeed in persuading every man and woman, every nation to do their utmost, we shall master this famine."[16] "The final voice of victory is the guns," Hoover said in London, "but the first voice of peace is food."[17] Statesman Hoover led the worldwide effort to begin repairing war-torn nations by feeding the starving millions. Hoover himself went on to establish a school meals program that fed 3.5 million children across Germany. "Every day we think of you when we get our Hooverbreakfast," wrote one child from Hamburg, Germany, in a letter preserved at the Herbert Hoover Presidential Library. "The whole day we are happy when we think of the breakfast."[18]

In many ways, the American presidency was both the worst thing and the best thing to happen to Herbert Hoover. The Great Depression and his successor—FDR—greatly diminished the reputation he had built over a long career of service. And yet, the presidential prestige he took with him for the rest of his life, and the drive to repair his broken reputation, fueled one of the most energetic and impactful postpresidencies in history. "You have had the acclaim of the American people; you have had the criticism of the American people," President Kennedy's father, Joseph, wrote to Hoover in 1949. "Now in the twilight of your life, the American people have come to realize that Herbert Hoover is one of our few . . . outstanding men in the public life of this generation."[19]

Summary

Presidents Kennedy and Hoover were great philanthropists in their own right, giving significant sums to charity. In fact, both men gave away every dollar they earned from the federal government. But perhaps their greatest contribution was the example they set for how to use the presidency and its prestige to inspire and organize the giving of time, talent, and treasure. When President Bill Clinton established AmeriCorps in 1993, and when President George W. Bush increased the number of AmeriCorps volunteers by 50%, they were following Kennedy's model. When President Barack Obama issued a call to service in his 2009 inaugural address, he was following Kennedy's model—with a twist: text messages, YouTube, and serve.gov have become primary outlets for the president's call. When Gerald Ford and Jimmy Carter teamed up to promote education and other causes, they were following Hoover. When George H. W. Bush, Bill Clinton, and George W. Bush lent their prestige to relief efforts—in Indonesia, New Orleans, and Haiti—all three men were in Herbert Hoover's footsteps. The Hoover and Kennedy models for linking the presidency and philanthropy endure.

Notes

1. John F. Kennedy, "Speech of Senator John F. Kennedy, Cow Palace, San Francisco, CA," American Presidency Project, http://www.presidency.ucsb.edu/ws/index.php?pid=25928.
2. John F. Kennedy, "Remarks of Senator John F. Kennedy, University of Michigan," John F. Kennedy Presidential Library and Museum, http://www.jfklibrary.org/Historical+Resources/JFK+in+History/Peace+Corps.htm.

3. "World War I" (panel in the Hoover Gallery of the Herbert Hoover Presidential Museum, West Branch, Iowa, May 11, 2009).

4. "Ordeal of Belgium" (panel in the Hoover Gallery of the Herbert Hoover Presidential Museum, West Branch, Iowa, May 11, 2009).

5. "Food Will Win the War" (panel in the Hoover Gallery of the Herbert Hoover Presidential Museum, West Branch, Iowa, May 11, 2009).

6. "Belgian Lace" (panel in the Hoover Gallery of the Herbert Hoover Presidential Museum, West Branch, Iowa, May 11, 2009).

7. Herbert Hoover, Letter to Norman Davis, September 15, 1939, Post Presidential Box 21, File "American Red Cross Correspondence, 1933 44," Herbert Hoover Presidential Library, West Branch, Iowa.

8. John F. Kennedy, "Address of President Elect John F. Kennedy Delivered to a Joint Convention of the General Court of the Commonwealth of Massachusetts," John F. Kennedy Presidential Library and Museum, http://www.jfklibrary.org/Historical+Resources/Archives/Reference+Desk/Speeches/JFK.

9. John F. Kennedy, "Address of Senator John F. Kennedy Accepting the Democratic Party Nomination for the Presidency of the United States," American Presidency Project, http://www.presidency.ucsb.edu/ws/index.php?pid=25966&st=frontier&st1=.

10. John F. Kennedy, "Inaugural Address," American Presidency Project, http://www.presidency.ucsb.edu/ws/index.php?pid=8032.

11. John F. Kennedy, "Remarks of Senator John F. Kennedy, University of Michigan," John F. Kennedy Presidential Library and Museum, http://www.jfklibrary.org/Historical+Resources/JFK+in+History/Peace+Corps.htm.

12. John F. Kennedy, "Speech of Senator John F. Kennedy, Cow Palace, San Francisco, CA," American Presidency Project, http://www.presidency.ucsb.edu/ws/index.php?pid=25928.

13. John F. Kennedy, "The President's News Conference, March 1, 1961" American Presidency Project, http://www.presidency.ucsb.edu/ws/index.php?pid=8514.

14. Herbert Hoover, "The President's News Conference, February 3, 1931," American Presidency Project, http://www.presidency.ucsb.edu/ws/index.php?pid=22932.

15. Herbert Hoover, HH Diaries Round World Trip, June 18, 1946, Post Presidential Box 148, File "Famine Committee Emergency General, Diaries," Herbert Hoover Presidential Library, West Branch, Iowa.

16. Herbert Hoover, Address by Hon. Herbert Hoover, May 17, 1946, Post Presidential Box 141, File "Famine Emergency Committee," Herbert Hoover Presidential Library, West Branch, Iowa.

17. Herbert Hoover, Hoover Describes European Food Situation, April 5, 1946, Post Presidential Box 141, File "Famine Emergency Committee," Herbert Hoover Presidential Library, West Branch, Iowa.

18. Helga Buchholz, Hilda Kock, and Waltvaut Rohm to Mr. Hoover, March 12, 1947, Post Presidential Box 169, File "Germany, Feeding of Children: Letters of Appreciation & Gifts to Hoover, 1947 50," Herbert Hoover Presidential Library, West Branch, Iowa.

19. "Counselor to the Republic" (panel in the Hoover Gallery of the Herbert Hoover Presidential Museum, West Branch, Iowa, May 11, 2009).

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PART III

Common Interest Areas of Nonprofits and Foundations

18

ADVOCACY ORGANIZATIONS

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Advocacy can be broadly defined as an attempt by individuals, groups, or formal organizations to effect social or political change concerning a particular issue. A wide variety of activities constitute advocacy. These include approaches as diverse as public education campaigns, collective action events like marches and demonstrations, and lobbying of elected officials to support (or defeat) proposed legislation (Boris & Maronick, 2009; Reid, 2006). Advocacy can vary in scale as well as scope, involving issues on a city block, an urban area, several states, or a multinational coalition of nations. Engagement in advocacy can be more or less enduring, involving volunteers on a weekend or encompassing paid professionals who build careers pursuing social and political change (Reid, 2000).

Many different types of social actors are involved in advocacy work. Individuals can express their support for specific policies by voting for political candidates who support their views and by donating to their re-election campaigns. Groups of people who share common interests can work together on an issue or cause that is important to them. For example, residents of a town can petition their local government to set aside part of a public park for a dog run or to designate funds to build a bike path or to clean up a playground. Such civic engagement by individuals or groups is an important part of a democratic society. Formal organizations also play a vital role in social and political advocacy.

Formal organizations involved in advocacy have important advantages over individuals or informal groups. Organizations can raise funds specifically to support an advocacy campaign. In addition to economic resources, advocacy organizations have the ability to leverage the expertise of professional staff and volunteers, as well as their involvement in organizational networks, to bring issues into the public consciousness and onto the political agenda (Frumkin, 2002). For students, nonprofit advocacy organizations represent opportunities for current and future employment, for meaningful engagement with political issues, and for participation in the political process, now and in the future. This chapter defines and examines advocacy organizations, with a particular focus on the ways that nonprofit organizations engage in advocacy work.

Defining Advocacy Organizations

Organizations that participate in advocacy work are known by many names, including public interest groups (Berry & Arons, 2003), citizen groups (Walker, 1991), social movement organizations (Zald & McCarthy, 1987), grassroots associations (Smith, 2000), and nonprofit policy advocates (Jenkins, 2006). In part, this diversity of terms reflects their association with different research traditions (Jenkins, 2006, p. 107). For example, the study of interest groups in political science has a shared lineage with the study of social movement organizations in sociology. In this way, the term *advocacy organizations* is a broad label that describes a truly diverse set of organizations (Saidel, 2002). Research across a number of disciplines has discussed the "advocacy explosion," the marked growth in the number of advocacy organizations

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at the national level since the U.S. protest movements of the 1960s (Berry, 1997). Some researchers have argued that the growth in advocacy organizations has increased the diversity of issues that make it to the public agenda; conversely, others have argued that the growth of advocacy organizations has been accompanied by a decreased importance of individual members and a narrowing of the issues represented by these national groups (Minkoff, Aisenbrey, & Agnone, 2009; Skocpol, 2003).

One frequently cited definition of advocacy organizations describes them as "organizations that make public interest claims either promoting or resisting social change that, if implemented, would conflict with the social, cultural, and political, or economic interests or values of other constituencies or groups" (Andrews & Edwards, 2004, p. 485). This definition captures the inherently contested nature of advocacy as a struggle between competing interests. Advocacy organizations negotiate this struggle in different ways. Some organizations target the political structure and attempt to change legislation. Others work at the grassroots level, educating the public to put pressure on the advocacy target, whether it be a corporation, a government agency, or a legislature. While advocacy organizations can differ in the targets of their efforts, the beneficiaries of their work can also vary. Beneficiaries of advocacy can include the organizations themselves, specific groups of citizens (e.g., women, the elderly), or the public at large (Boris & Krehely, 2002; McCarthy & Castelli, 2002).

In addition to variation in the degree of involvement with the government and in the intended beneficiaries of their work, a particularly important distinction among advocacy organizations involves their legal form. Organizations in the U.S. economy generally take one of three legal forms: public (government organizations), for-profit (private organizations), and nonprofit (private tax-exempt organizations). Regulation of advocacy activity varies across these organizational forms. Political advocacy by managers of public organizations is subject to rules that largely restrict public managers from lobbying. However, for-profit firms face fewer restrictions on their involvement in lobbying (Mosley, 2009a). For-profit organizations engage in advocacy on behalf of their shareholders. For example, a car manufacturer might hire a lobbying firm based in Washington, D.C., to lobby Congress about a new law regulating emissions standards for cars that could pose significant redesign and manufacturing costs. Although significant, for-profit lobbying expenses can be a cost-effective attempt to thwart potentially costly regulation. Research indicates that for-profit business interests are widely represented by advocacy organizations. In their study of pressure groups located in Washington, D.C., Schlozman and Tierney (1986) found that 70% of the organizations were representing business interests, while only 20% were nonprofit public charities. In contrast to for-profit firms, nonprofit organizations have a different set of concerns that motivates their involvement in advocacy.

Nonprofit Advocacy Organizations

Nonprofit organizations get tax-exempt status from the Internal Revenue Service (IRS), which recognizes over two dozen tax-exempt categories, including labor unions, social clubs, political action committees, fraternal societies, and other membership-oriented groups (Boris & Mosher-Williams, 1998; Reid, 2000). Nonprofit organizations are prevented from distributing profits to staff, board directors, or other interested parties in the organization. However, contrary to common belief, nonprofits are not prevented from ending their fiscal year with a positive balance sheet. Many nonprofit organizations, those called *public charities,* provide a wide array of goods and services that are recognized to be in the public interest. The nonprofit advocacy sector generally consists of three classifications of organizations, including charitable nonprofits, public benefit organizations, and political organizations (Minkoff et al., 2009; Reid, 2006).

Each of these nonprofit organizations has a separate tax-exempt status and is subject to different rules concerning its involvement in advocacy. In general, these rules represent a trade-off between two factors: tax deductibility of donations and involvement in partisan advocacy concerning legislation and elections. Nonprofits that are eligible to receive tax-deductible donations, an incentive for individuals and corporations to give money, are subject to the most stringent oversight of their advocacy activities concerning legislation and elections.

Advocacy: Lobbying, Elections, and "Everything Else"

Advocacy work includes a very diverse set of organizational activities. When nonprofit organizations are involved in advocacy that attempts to influence public policy, they are subject to regulations that arise from their tax-exempt status (Boris & Mosher-Williams, 1998). A central concern related to advocacy by public charities is the appropriateness of granting tax exemption to organizations for political activities (Jenkins, 2006). An additional tax benefit is conferred on donors to these 501(c)(3) nonprofits, as they can take tax deductions for their contributions. From a legal and regulatory perspective, there are essentially three forms of advocacy: lobbying, electioneering, and "everything else" (Mosley, 2009a, pp. 461–462). Regulations concerning nonprofit participation in lobbying and electioneering are specified in the Internal Revenue Code. The advocacy activities of these organizations are subject to IRS oversight and, in some cases involving political campaigns, regulation by the Federal Election Commission.

Lobbying involves attempting to influence public policy by stating a position (for or against) on legislation to elected officials or to government employees such as Senate staffers. When an organization takes the initiative in this type of lobbying and makes contacts with lawmakers, this is called *direct lobbying* (Fremont-Smith, 2004; Reid, 2006). Another type of lobbying, *grassroots lobbying,* involves encouraging members of the public to contact legislators or government employees and express their support (or opposition) to legislation (Fremont-Smith, 2004; Reid, 2006). Grassroots lobbying differs from direct lobbying in that it includes a "call to action" that encourages the public to contact a government official, provides a way to identify which legislator to contact, or offers materials to assist in making the contact (e.g., a pamphlet summarizing issues) (Fremont-Smith, 2004, p. 288). Advocacy involving lobbying is specifically focused on persuading elected and government officials to adopt a particular position toward legislation. Another form of advocacy concerns political elections. Electioneering or *express advocacy* involves attempts to support or oppose the election of a candidate to political office. Nonprofit involvement in express advocacy is strictly regulated (see below). Tax-exempt organizations found in violation of lobbying and election regulations may be subject to fines and could lose their tax-exempt status. The next section discusses advocacy rules for three types of nonprofit tax-exempt organizations: public charities, public benefit organizations, and political organizations. Public charities, which are tax exempt under section 501(c)(3) of the Internal Revenue Code, are service-providing organizations in a variety of fields (e.g., education, health, arts). They are the organizations that most people think of when they hear the term *nonprofit.* Private foundations are also classified as public charities because they provide grants to nonprofits to support service activities. Public benefit organizations, which are tax exempt under sections 501(c)(4), (5), and (6), include member-focused organizations like labor unions and business leagues. Finally, political organizations, which are tax exempt under section 527, include political parties and political action committees (PACs), which exist exclusively to work in support of (or opposition to) the election of candidates to public office. Regulations concerning advocacy by each type of tax-exempt organization are summarized in Table 18.1.

Public Charities: 501(c)(3)

Public charities receive exemption from federal taxes under section 501(c)(3) of the Internal Revenue Code. In addition to exemption from federal (and often state) income taxes, 501(c)(3) organizations are eligible to receive tax-deductible contributions from individuals and corporations. Tax deductibility of donations serves as an incentive for donors to give money to nonprofits. Of the three main types of tax-exempt organizations involved in advocacy, public charities are subject to the most stringent oversight of their advocacy activities concerning lobbying and elections.

Public charities may engage in a limited amount of lobbying. The IRS has applied two approaches to evaluating public charity involvement in lobbying activity. One approach specifies that organizational resources, including staff time and expenditures, should not constitute a "substantial part" of organizational activity. In response to the vagueness of this standard, Congress adopted section 501(h) in 1976, which details expenditure limits for public charities involved in direct and grassroots lobbying (see Independent Sector, 2009, or Duncan, 2004). Public charities can choose to operate under section 501(h) by filing paperwork with the IRS. Although classified as public charities, private foundations are prohibited from lobbying.

Public charity advocacy organizations can take several actions that constitute exceptions to government restrictions on lobbying. Fremont-Smith (2004) describes these exceptions as (a) publicizing nonpartisan research, which may advocate a position on legislation "so long as there is sufficient information presented to allow the recipient to form their own conclusions"; (b) discussing broad socioeconomic issues without reference to specific legislation; (c) providing "technical advice" on written request from a government agency; (d) lobbying in "self-defense" in response to actions that could impact a charity's existence or tax-exempt status; and (e) communicating with members about legislation as long as lobbying is not encouraged (pp. 288–289; also see Independent Sector, 2009).

While public charities are permitted to engage in lobbying to a limited extent, these organizations are strictly prohibited engaging in express advocacy for or against a candidate for political office (Reid, 2006). In addition to the prohibition on candidate endorsement, public charities cannot contribute money, time, or facilities to a candidate and cannot coordinate activities with a political candidate (Independent Sector, 2009). However, public charities can participate in nonpartisan election activities such as get-out-the-vote efforts, voter education, voter registration, and nonpartisan candidate forums; they can also work on a ballot measure (Boris, 2000; Independent Sector, 2009; Reid, 2006).

Public Benefit Organizations: 501(c)(4), 501(c)(5), 501(c)(6)

Nonprofit organizations with tax-exempt status under sections 501(c)(4) to (6) are subject to a less stringent set of regulations on their advocacy activities. These organizations include social welfare organizations, labor unions, and business leagues (such as chambers of commerce). Such nonprofits do not receive tax-deductible contributions and can engage in unlimited lobbying, both direct and grassroots. In fact, lobbying is permitted to be the primary function of this type of nonprofit, without endangering its tax-exempt status (Independent Sector, 2009). This is in sharp contrast to public charities, which cannot engage in lobbying as their primary or sole organizational activity.

	Organization Type		
	Public Charities	*Social Welfare Organizations, Labor Organizations, and Business Leagues*	*Political Organizations*
Tax-exempt status	501(c)(3)	501(c)(4), 501(c)(5), and 501(c)(6)	Section 527
Contributions tax deductible?	Yes	No	No
Permitted activities	Charitable and educational activities; includes private foundations	Includes activities permitted to 501(c)(3) charities plus any activity that serves public purposes	Primary activity is to influence elections: for example, political parties and political action committees (PACs)
Lobbying allowed?	Yes, to a limited extent (see below) in most cases, but no lobbying allowed for private foundations	Yes, issue advocacy (direct or grassroots support for legislation) is unrestricted	Issue advocacy is a nonexempt activity; such expenditures by 527 organizations may be taxable
Lobbying rules	• Lobbying must not be a "substantial part" of an organization's activities • An organization can elect to operate under section 501(h), which states specific expenditure tests	• No restrictions on lobbying • Lobbying may be primary activity of the organization	• Lobbying is a nonexempt activity, and expenditures for issue advocacy by 527 organizations may be taxable
Political campaign activity allowed?	• Campaign intervention prohibited • No express advocacy for or against a candidate for political office • Nonpartisan activities allowed, for example: voter registration, voter education, get-out-the-vote efforts	• Express advocacy allowed with respect to members (e.g., union members), but not to the general public • Political campaign activity must not be a primary organizational activity	• Express advocacy permitted, unlimited, and tax exempt • Some 527 organizations (e.g., PACs) are subject to limits on donations and expenditures
Reporting requirements	• IRS Form 990 annually • Report lobbying expenses on Schedule A of IRS Form 990 • No public disclosure of donors	• IRS Form 990 annually • No separate reporting of lobbying expenditures required • No public disclosure of donors	• Donors, contributions, and expenditures reported to IRS • Some activities regulated by the Federal Elections Commission

Table 18.1 Overview of Regulations for Advocacy by Tax-Exempt Organizations

SOURCES: Internal Revenue Service, 2008, 2009; Independent Sector, 2009.

Public benefit nonprofits are also subject to less restrictive rules than public charities concerning their involvement in elections. Specifically, they are allowed to engage in express advocacy concerning political candidates, but only with respect to their membership, not the general public (Reid, 2006). For example, a labor union could mail information endorsing a political candidate to union members only. Finally, political campaign activity by public benefit nonprofits cannot be the principal activity of these organizations.

Political Organizations: Section 527

A final group of nonprofit organizations, which is involved specifically with advocacy around political elections, are political organizations with tax exemption under section 527 of the Internal Revenue Code. Unlike public charities or public benefit organizations, political organizations do not provide services to the general public or a specific membership. Instead, they exist solely for the purpose of electing political candidates. These tax-exempt political organizations include political parties, political candidate campaign committees, and political action committees (PACs), which make expenditures to support the election of political candidates. Section 527 organizations receive tax exemption for donations, dues, and fundraising monies, as long as this income is "used to influence the selection of candidates to public office" (Fei, 2000, p. 23). Lobbying is not an exempt activity for section 527 political organizations, so lobbying expenditures by these organizations may be subject to taxation (Reid, 2006). However, express advocacy by section 527 organizations associated with political campaigns can be unlimited, and funds the organizations raise for this purpose are tax exempt.

Research on Nonprofit Advocacy

Explaining Levels of Nonprofit Participation in Advocacy

Previous research has found that 501(c)(3) charitable nonprofits have relatively low levels of engagement in advocacy, particularly lobbying (Berry & Arons, 2003; Boris & Krehely, 2002; Jenkins, 2006). Boris and Maronick (2009) found that the percentage of charities that report lobbying expenses remains consistently low. Relying on data from the National Center for Charitable Statistics, they find that only 1.3% of charities that filed a tax return in 1996 reported any lobbying expenses. Ten years later, by 2006, this percentage had risen to just under 2% (Boris & Maronick, 2009, p. 6). This finding of consistently low engagement in lobbying by public charities is puzzling, given regulations that actually permit nonprofits (including the public charities examined by Boris and Maronick) to engage in a substantial amount of advocacy. A large and growing body of research examines nonprofit advocacy. Of particular interest to scholars is to try to explain why advocacy by 501(c)(3) public charities is so low.

Research that attempts to explain variation in nonprofit involvement in advocacy generally centers on two explanations that emphasize resource factors and institutional characteristics as determining advocacy activity (Chaves, Stephens, & Galaskiewicz, 2004; Nicholson-Crotty, 2007; Suarez, 2009). Some researchers hypothesize that nonprofit organizations that rely on government funding may be less likely to engage in advocacy. Other researchers suggest that having government funding may make nonprofit organizations more likely to participate in advocacy work as they develop relationships with governmental actors. In contrast, institutional explanations of nonprofit advocacy involvement have focused on how the political and cultural environments in which nonprofits operate influence the extent and nature of their advocacy activities.

Resource Dependence Explanations

Many scholars have argued that the most significant deterrent to nonprofit involvement in advocacy work is the relative threat to the financial stability of the organization. Resource dependency theory posits that dependence on government funding might stifle nonprofit advocacy that challenges the political status quo (Chaves et al., 2004). In fact, a few nonprofit executives have reported outright punishment from the government in response to nonprofit advocacy. In their study of the impact of government funding on nonprofit political activity, Chaves and colleagues (2004) found that some nonprofits claimed governmental agencies had ceased grant support and referred fewer clients to their agencies. While such examples are rare in the literature, this does not prevent nonprofits from fearing retaliation that would impact their funding. The fear of losing tax-exempt status is often mentioned as an explanation for why many nonprofits fail to engage in advocacy work, or do so to a much lesser extent than what is legally permitted.

One theoretical explanation of resource dependence suggests that the level of government funding has an inverse relationship to the level of advocacy in nonprofits (Schmid, Bar, & Nirel, 2008). As the level of government funding increases, according to this theory, the level of political advocacy would decrease. However, some empirical research refutes this theoretical claim. Several studies have found that, to the contrary, the dependence on government funding in fact has either a positive or a null effect on nonprofit political activity (Chaves et al., 2004; Mosley, 2009b; Nicholson-Crotty, 2007). Both Mosley's research on Los Angeles human service nonprofit organizations and Nicholson-Crotty's research on reproductive health nonprofits found that an increase in government funding correlates with an increase in advocacy activity. Mosley (2009b) suggests that "government funding may be more important in increasing ties and legitimacy than in controlling the activities of the organization" (p. 529). In other words, government funding may serve as a kind of enfranchisement for nonprofits, buoying civic engagement.

In addition, the relationships between government and the nonprofit sector may be more mutual and interdependent than resource dependence theory predicts. Due to the growth of devolution and the privatization of public services, the provision of social services has been extensively subcontracted to the nonprofit sector. This contracting has created government-nonprofit relations that entail reciprocity. While nonprofits are dependent on the government to provide funding, the government is dependent on nonprofits to provide services (Chaves et al., 2004). Because the government is dependent on the nonprofit sector to implement its social welfare mandates, nonprofits may have less to fear in terms of punishment from the government for challenging the political status quo. Furthermore, Marwell (2004) argues that elected officials often rely on nonprofits to build voting blocs. Because the services provided by many nonprofits bind citizens to their organizations, nonprofits may actually develop voting constituencies for local elected officials, who in turn steer contracts to the nonprofits (Marwell, 2004). Nonprofits' fear of a punitive response by government funders may be somewhat misguided, as the nonprofit sector may have more power than it realizes.

Yet, resource dependence theory's explanatory power extends beyond a concern about possible loss of tax-exempt status for nonprofits. The effects of government funding on nonprofits extend to their organizational structure and behavior. As nonprofits evolve to meet reporting and other demands from government funders, their involvement in the community and with their clients may change, "redirecting organizational attention, energy, and resources away from political activity and toward administrative activities made necessary [by the parameters of] government funding" (Chaves et al., 2004). This metamorphosis requires that nonprofits focus more on the processes of service provision rather than the ideological character of their programs, civic engagement, and advocacy on behalf of their constituents.

New Institutional Explanations

Nonprofit researchers have also looked to new institutional theory to explain nonprofit involvement in advocacy. New institutional theory asserts that the legitimacy of nonprofits stems from conforming to cultural norms and institutional rules (Mosley, 2009b). Normative rules for organizational behavior are established and imposed by funders, the public, state agencies, and professional associations (Nicholson-Crotty, 2007). As Suarez and Hwang (2008) state, "Many activities emerge from cultural scripts or institutional logics rather than from the functional demands of the market" (p. 98). In other words, the political and cultural environment in which a nonprofit operates can influence whether or not the organization participates in policy advocacy and what kinds of strategies and tactics a given nonprofit might find feasible and effective.

The more enmeshed nonprofits are in their sociopolitical environment, the greater the influence of social and institutional norms on their advocacy behavior. With the professionalization and standardization of administrative activities through the requirements dictated by government funders, nonprofits may be subjected to coercive pressures in an environment in which the established institutional norm is to dedicate organizational energy and attention solely to service provision and to refrain from political activity (Schmid et al., 2008). However, Suarez and Hwang (2008) identify two instances in which nonprofits' sociopolitical environment might encourage policy advocacy, specifically nonprofit involvement in lobbying. In their examination of the policy advocacy activities of human rights and environmental organizations, they found that nonprofits working in "fields characterized by an institutional logic of social change" might be more likely to lobby (p. 101). In addition, Suarez and Hwang argue that nonprofits facing "cross-sector competition" with other organizations might also be more likely to lobby.

Expanding Definitions of Advocacy Activities and Advocacy Organizations

Another area of research on nonprofit advocacy has focused on refining the definition of advocacy, with specific attention to the types of organizations and the specific organizational activities involved in this work. For example, Boris and Mosher-Williams (1998) argue that the traditional rights-oriented concept of advocacy organizations, as working on behalf of others, should be expanded to encompass civil society organizations. Using data from the National Center for Charitable Statistics, they demonstrate that existing organizational typologies can be adapted to enlarge the group of nonprofits ordinarily selected for examination as advocacy organizations. Because nonprofits participate at multiple points in the policy process, these researchers "conceptualize a continuum of advocacy organizations that moves from the narrow definitions of rights-oriented groups to those engaged primarily in public education and community building" (Boris & Mosher-Williams, 1998, p. 492). This research persuasively demonstrates that traditional notions of advocacy organizations should be expanded to include a multitude of other nonprofit organizations that, while they may not explicitly advocate for the rights of a specific group (e.g., veterans or children), are nonetheless an important part of the policy advocacy process. This focus of different types of organizations has been echoed in a call to reconsider the range of organizational advocacy activities.

In their analysis of nonprofit advocacy, McCarthy and Castelli (2002) argue that many discussions of nonprofit advocacy organizations fail to specify the "range of behaviors" that constitute advocacy (p. 106). Furthermore, they argue that the variety of terms (e.g., social movement organizations, public interest groups, etc.) that are applied to advocacy organizations focus on the "stated organizational goals rather than patterns of action" (p. 108). In a philosophically similar approach, Duncan (2004, pp. 9–10) identifies six types of advocacy activities. While no typology can fully capture the range of advocacy activities in which nonprofit organizations engage, this list is a useful catalog of possible organizational activities. Where appropriate, terminology used by other researchers is noted. Duncan's list of advocacy behavior includes the following:

1. Agency advocacy, which is focused on ensuring access to services for individuals or groups.

2. Legislative advocacy, which seeks policy change through an appeal to legislators or other government employees. Other researchers call this lobbying and distinguish between direct (organization initiates contact) and grassroots (organization encourages the public to initiate contact) approaches (Reid, 2006).
3. Legal advocacy, which focuses on protecting and expanding rights through the legal system.
4. Community advocacy, which educates citizens about issues through the media.
5. Issue advocacy, which identifies social problems and possible solutions. Other researchers have used this term to apply to lobbying (Reid, 2006).
6. Political campaign advocacy, which other researchers call express advocacy and which entails advocating on behalf of particular candidates and is forbidden to public charities (Boris & Krehely, 2002).

The next section highlights new developments in nonprofit advocacy that suggest possible expansions to existing typologies of advocacy activities.

New Forms of Nonprofit Advocacy

Scholars have identified several interesting new approaches in nonprofit advocacy, two of which are reviewed here. The first approach involves the growing use of technology, including the Internet, by nonprofit organizations. The second new form of nonprofit advocacy involves new interorganizational relationships, including coalitions of nonprofits, and coordinating efforts across different types of tax-exempt entities.

Technology and the Internet

Many nonprofits are using the Internet as a "low-cost and low-risk" way to reach multiple diverse constituencies (Boris & Maronick, 2009, p. 1). This use of technology involves a variety of activities: raising money from online donations, educating the public via e-mail newsletters, broadcasting e-communications to e-mail listservs, and attracting new volunteers, customers, and clients (Boris, 2000; Reid, 2006; Suarez, 2009). In his study of Internet advocacy by nonprofits, Suarez (2009, p. 267) argues that the Internet presents a "novel opportunity for nonprofits to scale their social impact" but cautions that the use of the Internet is a "nascent" research domain and that much remains to be learned about its genuine impact on nonprofit advocacy practices and advocacy outcomes.

Organizational Coalitions

Another development in nonprofit advocacy is the growth of organizational advocacy coalitions. These coalitions vary across issues, duration, and the makeup of the organizational members (e.g., nonprofit and for-profit). One approach has been for nonprofits to make strategic use of the tax-exempt regulations to establish "complementary organizations and segregate activities into the appropriate use" (Boris & Maronick, 2009, pp. 11–12). For example, a nonprofit organization working on the same issues might have a 501(c)(3) charitable nonprofit (accepting tax-deductible donations and providing services); a 501(c)(4) social welfare organization, which is permitted to conduct issue advocacy; a "connected" PAC, which can raise funds for political candidates; and a related section 527 organization (Boris, 2000). According to Reid (2006), these separate organizations "are part of a complex organizational structure that cannot share control of day-to-day activities but can have overlapping boards, share advocacy goals, collaborate on strategies of action, and manage their resources in ways to best achieve their political ends" (p. 363). The transfer of resources between these organizations is regulated such that resources raised in one tax-exempt structure cannot be used to "subsidize activities elsewhere that the nonprofit [that raised the funds] cannot itself conduct" (Reid, 2006, p. 363). The complexity of this coordinated approach to advocacy requires organizational sophistication and ongoing monitoring of evolving regulations concerning permitted advocacy activities and rules about fundraising and expenditures for each type of tax-exempt organization (Boris & Maronick, 2009; Reid, 2006).

Summary

Nonprofit advocacy organizations are important to the student of nonprofits for a number of reasons. For students who wish to study the nonprofit sector, it is important to understand and appreciate the complex regulations that govern how nonprofit organizations can participate in policy advocacy. Tax-exempt organizations are an increasingly important part of partisan politics. They shape public opinion about elections, the way voters behave, and what issues make it to the policy agenda. Legal regulations concerning these organizations (e.g., section 527 political organizations) are evolving and are likely to continue to influence electoral politics in the future (Reid, 2006). In addition to being an important influence in public policy advocacy, nonprofit organizations are a large and growing sector of the U.S. economy. For some students, organizations in the nonprofit sector may become employers in the future. At some point in their lives, many students will benefit from services provided by nonprofit organizations and will make donations to nonprofit organizations whose work they support. Finally, nonprofit advocacy organizations provide students with meaningful ways to be involved in their communities as volunteers and members and can serve as an important training ground for their postgraduate civic participation.

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19

Role of the Nonprofit Sector in Leading Innovation in Public Policy and Social Change

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The nonprofit sector has long been viewed as the third sector or the service sector. It tackles a vastly diverse range of issues and problems that society faces, and it seeks to create a better social environment for people. The nonprofit sector is constructed of multiple identities and ideas that intermix and work to create social change, generate new ideas on ways to solve problems, and help determine the direction that public policy will take. The nonprofit sector also relies heavily on the tradition of volunteering that is deeply embedded in the fabric of the United States. With the combination of boards, staff members, and volunteers, nonprofits have the ability to approach social issues with multivalent perspectives and opinions. This is one of the unique attributes of the nonprofit sector: Diverse groups of people from all walks of life are working on an equally diverse set of issues.

The nonprofit sector is also the ideal place to begin tackling social issues because of the variance in organization focus and organization structure. Nonprofit organizations can be broad in scope, focusing on human rights violations across the globe without a regional focus, or they may specifically look at ensuring that youth in a certain location have access to a park in their neighborhood. This range of focus allows nonprofits to play a role not only in the global community, but also in each of the local communities of which they are physically a part. Thus, this sector is the ideal location to begin thinking about ways in which social change and new public policy can be envisioned, tested, and then implemented on a number of different scales from the local to the global.

The nonprofit sector is also in the unique position of being driven largely by people and other organizations or foundations that support the mission and vision of the nonprofit. In this way, the public also has a say in the advocacy and social change initiatives that nonprofits work toward and introduce into public dialogue. Unlike the business sector, the nonprofit sector cannot make decisions in isolation. Nonprofits are accountable beyond the broad organizational umbrella to the public, and thus the social change and public policy that nonprofits engage in are likely to address the concerns of different segments of society. This chapter will address the role of the nonprofit sector in creating and leading social change and public policy as well as experimenting with new ideas.

This chapter will focus on three main ideas. In the first section, it will briefly define what public policy is and then provide a short history of the interaction of nonprofits with public policy. Then, it will discuss why this engagement is important and look at the way that nonprofits act as public advocates. Finally, there will be a short case examination of how the nonprofit sector has helped to change public policy relating to AIDS. In the second section, this chapter will discuss the role of the nonprofit sector in creating and leading social change. After a brief history of nonprofit interaction with social change focusing on grassroots nonprofits and social activism in nonprofits, this chapter will look at three different case examples in which nonprofit organizations helped to lead social change. The third section will discuss why the nonprofit sector is the ideal location to begin experimenting with new ideas and look specifically at three different types of new ideas in which nonprofits have engaged. This chapter will end with a short discussion of future directions for nonprofit organizations in relation to leading public policy, social change, and new ideas.

Public Policy and Nonprofits

The idea of public policy is twofold in that it includes both the actual written and governing documents and policies by which our government and citizens abide and also the critique and analysis of those policies. It is important for the nonprofit to engage with public policy making on every level, from the basic community to the national level, if those policies will affect the work of a nonprofit (Hula & Jackson-Elmoore, 2001). Nonprofits must stay engaged with the policies that guide their organizations, and they need to have a strong voice in developing policy that ensures the continuation of public funding and public support. Nonprofits are essential in creating public policy change because they are the medium between the public and government and ought to represent the best interests of citizens and the community that they serve. Without nonprofit organizations interacting in the policy-making process, funding allocations and policies might not be in critical response to the public (Rathgeb Smith, 2007). In the public policy-making process, nonprofits thus serve as both the advocates and middle ground between the public and the government (Crutchfield & McLeod Grant, 2008).

The Role of the Nonprofit Sector in Changing Public Policy

Public policy is embedded in the fabric of our society, and thus, it is important for people to engage with the policy-making process to avert a society that is alienated and disengaged from the policies and rules by which it is governed. Not everyone, however, has the opportunity to voice their opinion. This is where the nonprofit sector comes in. The nonprofit sector is essential for acting as the public's voice and thus interacts and works toward changing public policy in a number of different ways that will be discussed in this section.

First, nonprofits are the organizations that engage with the social problems that the other sectors (business and government) are not adequately addressing. In an era in which the government outsources to private nonprofits and for-profit companies to fill the gaps in the social services they are providing (Brock, 2001; Mitchell, Longo, & Vodden, 2001), it is even more important that the nonprofit sector engage in public policy change. The nonprofit sector many times is the sector working directly with communities on localized social problems. Thus, nonprofit organizations may be more authoritative in lobbying[1] and advocacy processes than policymakers who have little direct experience with the community.

Nonprofits are able to act as a voice for marginalized communities in the public policy process (Brock, 2001). Many times, the organizations that work the closest with communities have done door-to-door surveying or research and have the quantitative statistics to identify critical needs for the community (Van Til, 2000). As nonprofits have the closest connection to the communities that policies target, they have a responsibility to serve the people with whom they work and to be advocates for their community (Bryce, 2005, 2006). For example, when policy is aimed to benefit developers who seek to gentrify and economically displace communities, nonprofit entities can voice public consensus and help show either negative or positive impacts on the economics, structure, health, and stability of residents.

The nonprofit sector also plays an important role in changing public policy because it both researches the community that policy will affect and acts as advocate (Bryce, 2005). Nonprofits should be at the forefront of public policy advocacy. Simly working directly with people is not enough. With parties having multiple perspectives that may or may not be beneficial to social communities, nonprofits should make sure that the best interests of the residents they are working with are served. The process of advocacy includes lobbying and dialogue with policymakers about the actual governing documents. It also includes educating people about policies that may affect them and ensuring that people have a say in the decision-making process; if individuals are not being heard, nonprofits can help voice public consensus that is being overlooked.

One other strength of nonprofits in garnering public policy change is the actual structure of the organizations. Nonprofit boards, executive committees, honorary chair people, and volunteers often are well known in communities (both physical ones and interest categories) and thus can be a strong source of advocacy for a particular social issue. As mentioned at the beginning of this section, nonprofits must engage in multiple levels of policy, ranging from the local level to the national or international level if they are a larger nonprofit. Although this may seem like a difficult challenge, having to come up with resources themselves, nonprofits should be present at different levels of policy making (Hula & Jackson-Elmoore, 2001) because policies most critical to the mission of the organization are often made at the most localized level. Thus, the role of the nonprofit sector should be to engage in policy and help to educate people with whom they work about the policies that affect them. In addition, nonprofits should advocate for the interests of their constituents and be a supporting voice for people who may not be able to speak freely for themselves because of their social position.

Case Examples of Public Policy Change Resulting From Nonprofit Action

An organizational example of a nonprofit organization that is trying to change public policy is Growing Power.

This organization was started as a grassroots effort in Milwaukee, Wisconsin, and is now a national organization, and its model is used widely in organizations that work with sustainable food systems. The mission of Growing Power goes beyond developing sustainable food systems to involving community members and youth in educational programs, creating a chain in which healthy, sustainable food sources are an essential part of a healthy and thriving community. Growing Power specifically works on public policy relating to food systems, and the organization is involved in the policy change-based organization, The Chicago Food Policy Advisory Council. It also works with government initiatives related to food security and sustainability, such as the Illinois Local and Organic Food and Farm's Taskforce (Growing Power, n.d.).

The foundation of the Growing Power mission is to create sustainable food systems with integrated outreach and educational programs (Growing Power, n.d.). However, Growing Power also sees advocating policy relating to food security and sustainability as essential to its mission. As green reform and urban agriculture are relatively new to the mainstream public, organizations like Growing Power need to concentrate on advocating policy surrounding food systems, or decisions will be made without consideration of the communities, farmers, growers, and other beneficiaries of food sources. With its policy change efforts involving multiple platforms, Growing Power is a model of how organizations can interact locally and on a nationwide scale with the policy process.

Moving from the individual organization to the nonprofit sector in general, nonprofits have played a large role in public policy changes relating to AIDS. The nonprofit sector pushed forward new forms of public policy in the late 1980s when the government would not recognize the effects of AIDS on socially marginalized populations of people such as gay men (Sheridan, 2008). The nonprofit sector successfully spearheaded efforts that resulted in a joint effort of government-based health care and the nonprofit sector (Sheridan, 2008). This partnership between the government and the nonprofit sector successfully addressed the emerging crisis that HIV/AIDS was creating for health care systems. It demonstrates that nonprofit organizations centered on HIV/AIDS research and care were able to use their position as advocates and experts, who had worked in communities being hit the hardest with the HIV/AIDS virus, to change public policy. They could then transform their approach to working in HIV/AIDS research so that they could better serve their constituents.

Social Change and Nonprofits

The term *social structure* is used to discuss the relationships between individuals and groups in societies. Social structures are complex and describe relationships such as how governments interact with their citizens, how children are integrated into educational systems, and how segregation happens in an urban location. The term *social change* thus designates changes that are made in social structures, and this includes group organization and interaction, basic behaviors, and the values placed on different facets of our social lives. Social change arises from both individuals and groups, primarily when something happens in society that people feel is unjust or not in the best interests of the public. Social change, although it can come from the top down (or the government down to the public), primarily happens through a bottom-up model, which means starting with the people who make actual changes in the social structures and public policy or laws that govern a body of people. Nonprofits play a large role in social change because they are typically the organizational body that develops funds and generates momentum behind issues that call for social change. This chapter will look at the role of the nonprofit sector in challenging social issues and creating social change.

The Role of the Nonprofit Sector in Social Change

The nonprofit sector can shape social change in a number of different ways. This section will concentrate on four of them. The role of individual nonprofit organizations is to act as the embodiment of public consensus (Reid, 2006). Thus, nonprofit organizations act as an activist device, advocate for change, and work toward empowering the community with which they work. The biggest role of nonprofits in working toward social change is to locate the problem, engage with community members, and then help to find solutions for the issues that people are facing (Rose-Ackerman, 1996). One of the strengths of nonprofit organizations is that they link what they are doing, whether in the environmental, medical, or cultural fields, back to human populations. Even organizations such as the Sierra Club, which might seem to be concerned only with environmental conservation and justice, have embedded in their mission the idea that conserving the environment will lead to healthier and happier people. Nonprofits can also play a large role in conducting research and analysis of social issues by interviewing community members, holding community meetings, and acting as an organizational catalyst to get people thinking and working in the same direction.

Second, nonprofits, like individuals, can act as the activist apparatus. One of the strengths of the sector is that nonprofits exist only if there is a backbone of community supporters and funders to promote the organization's mission. Many nonprofit organizations have staff members who act as community organizers or community advocates. The role of a nonprofit as an activist force is one in which ideas and hopes meet structure and the ability to act and push for change (Hessenius, 2007). Activists work from the ground up, building volunteer support bases, and then mobilizing people, potentially using a nonprofit backdrop as a source of support to make people aware of the issue and to engage in direct action.

The 1999 World Trade Organization protests are an example of direct action. Hundreds of organizations, nonprofit and otherwise, as well as individual participants, came together to dispute trade negotiations that were happening at the largely private meetings. A number of these groups were what are termed grassroots organizations or organizations that are developed at the local community level, either to tackle specific localized issues or to look at global social issues that affect the local community. Grassroots organizations have been both highly successful and visible within the last decade because they are better able to engage with community members, act as advocates for change (Hessenius, 2007), and then help to empower their communities. With the onset of the new "green revolution" since the early part of this millennium, the mantra of "go local" has also begun to re-construct the way that we organize our communities. Although the global nonprofit organizations that fight for the broader issues of social justice, human rights, hunger relief, poverty reduction, and environmental conservation will by no means become a thing of the past, there has been a drive to look inward to our own communities and reconsider how we tackle local problems and address communal concerns.

Third, nonprofits can act as advocates for social change. The basic idea of advocacy is that an advocate speaks for another person or group. Nonprofits can engage in the role of advocacy by acting as the public voice for different groups of people (Reid, 2006), especially people who have been historically marginalized or oppressed because of their social background. Many times, naturalized hierarchies in our society leave out of public dialogue the people whom social problems are most directly affecting. The role of the nonprofit sector can thus be one in which nonprofits act as a catalyst for getting equal recognition of social problems (Hessenius, 2007), regardless of where a community is located or how much money it has. Nonprofits typically concentrate their work on communities that have been marginalized because they are unable to get their voices heard. Nonprofits typically do not interact or advocate for change for affluent communities because these communities most directly benefit from existing social and political structures. Nonprofit organizations also advocate for the voiceless, as in environmental or cultural heritage sites, by acting as the unit that protects and advocates for the future conservation of locations of concern. Nonprofit advocacy is also many times political (Reid, 2006). Nonprofit organizations take the role of acting as the public voice for communities in political debates or courts of law and with people who may not agree with the complaints of these communities.

This is where the fourth and final role of community empowerment comes in. Nonprofits and their communities would find themselves in a static, unchanging position if nonprofits did not also seek to empower community members. In community empowerment, nonprofits take the ideas, direct action that they have worked toward, and models that they have found beneficial and then direct them back into communities. This is so that people in the community can either develop a stronger identity and thus a more powerful political voice or continue to work on the problems that the nonprofit has addressed within their community. Community empowerment allows for people to contribute to the solutions to their problems; it builds a stronger bond between community members and the physical location of the community and helps people to work through creating their own, locally determined solutions to problems (Hula & Jackson-Elmoore, 2001). Larger nonprofits can engage in this type of community empowerment as well. The issues that engage larger, global nonprofits exist in localized areas, and thus a step for these larger organizations would be to do ground-level work and community empowerment so that local and global activist networks are developed that can resolve critical issues. One of the main benefits of community empowerment is that it negates the "victim" category into which groups of marginalized people are often clumped and constructs communities around the idea of people being survivors, able to speak and act for themselves and engage critically in the social problems facing their neighborhood.

Case Examples of Nonprofits Working in Social Change

The nonprofit sector consists of organizations working in a multitude of niches (Galaskiewicz & Bielefeld, 1998) for a diverse array of social causes. However, this final section will give case examples of how nonprofit organizations engage in social change from two different sectors, environmental and cultural.

T.R.U.E. Skool, Milwaukee, Wisconsin

T.R.U.E. Skool is a cultural organization that was developed in Milwaukee, Wisconsin, to teach the arts of hip hop culture to local youth, including classes in aerosol art, break dancing, DJing and emceeing (verbal rhyming). T.R.U.E. Skool uses education and cultural art forms as a foundation of the organization, but as with nonprofits working in social change, this is simply the basis for what this organization hopes to achieve through its work. First, the organization uses participants from Milwaukee's hip hop community to teach classes on these art forms. In this way, the organization seeks community engagement instead of isolation. By engaging the expertise of the community, T.R.U.E. Skool also develops a core of community support, at the same time making sure that youth who participate in classes are actively engaged with community members and elders who have been participating in hip hop for years.

Second, T.R.U.E. Skool does not simply want youth to participate in their educational programs; the organization works toward creating leadership skills and empowering youth in their daily lives, as many participants in their programs come from marginalized backgrounds. The group's mission statement suggests that cultural education is simply the first building block for youngsters as they learn and use a skill set that will help them become stronger people and thus community members. "We advance our mission by infusing conflict resolution, self-expression, non-violence, youth organizing, community activism and community service projects into our programs and services" (T.R.U.E. Skool, 2009). Finally, as a local grassroots organization, T.R.U.E. Skool hopes that its program will be successful in Milwaukee and that its model can be used for working with and empowering urban youth in other locations.

Northwest Sustainable Energy for Economic Development (SEED), Seattle, Washington

Northwest SEED is a nonprofit organization that was founded in 2001 with the mission of "establish[ing] a clean, diverse, and affordable Northwest energy system" (Northwest SEED, 2009). This organization pushes for social change by working with communities to create long-term goals. Particularly, Northwest SEED hopes to create a sustainable energy alternative for the American Northwest by 2025. A number of different group initiatives not only will service the community but also actively engage members in the social change.

Northwest SEED ties together educational initiatives with partnerships that they have created in different communities throughout the Northwest. It will engage the communities in the process of environmental action it is attempting to spearhead. This organization is also a prime example of how a localized initiative largely supported and funded through a nonprofit organization has the potential to interact on the global level because creating sustainable energy is one of the largest initiatives in the forefront of the current "green revolution." As with T.R.U.E. Skool, Northwest SEED can serve as a model for similar projects across the nation. Finally, Northwest SEED is a prime example of how nonprofits working for social change can be concerned with a number of different types of social concerns while working for the benefit of human communities. The principal mission of Northwest SEED is to develop sustainable energy projects and an economic basis for sustainable energy, while at the same time creating sustainable jobs.

Nonprofits and Experimentation With New Ideas

The idea of experimenting with new ideas may seem to be a concept that is easily approached and defined. However, this is not the case. Many times, when traditional approaches to problems and an organization's work are effective, these organizations will avoid change. This is similar for all organizations including the government, business, and nonprofit sector. To keep with traditional static approaches to operations may be smart in some instances, but static approaches do not take into account the changing social needs of the public. Therefore, the nonprofit sector is the ideal location for organizations to begin experimenting with new ideas and approaches to embedded social issues. Nonprofits represent the sector that should be most concerned with representing the public interest and serving the public good. Thus, through their missions, nonprofits should constantly be engaged in experimenting with new ideas and approaches that will help strengthen the organization's mission-based work.

The category of new ideas is ambiguous and could potentially cover many different areas of nonprofit work. This section will touch on three ways that nonprofits have begun to experiment with new ideas. First, nonprofits have reached outside the boundaries of their own organization to begin sharing ideas and resources. In the current economy of sparse resources, sharing ideas, approaches, and models to work on nonprofit issues can lead to new solutions (Walden, 2006). Nonprofits can work on social issues in a community with other nonprofit organizations, with businesses (Arsenault, 1998), or with governmental groups. One of the strongest current trends in nonprofits is to partner with businesses that want to put money into the local community (Austin, 2000), ensure the economic stability of the community in which their business is located, have a place where employees can volunteer, and collaborate on topics in which the business might be interested. This type of partnership gives nonprofits the opportunity to expand their traditional approaches to social service (Rathgeb Smith, 2006), and it provides a stronger pool of volunteer support and potentially an additional source of funding (Simsa, 2003). Although many organizations and businesses are competitive with one another, it is important that groups work together with the goal of benefiting the community. It is also important to realize each organization's impact on the community and see the potential in partnering with groups that, from the outside, might not seem like the best match but overall have similar goals and desires for the community (Cheng, 2009).

Second, the nonprofit sector both abides by the phrase, "think globally, act locally," and turns it on its head: "think locally, act globally." The broad ideas that nonprofits develop can be global in influence and then applied at the ground level. Currently, looking back to the examples of T.R.U.E. Skool, Growing Power, and Northwest SEED, these organizations are all engaging in the "think locally, act globally" model. They are starting at a local level, working directly with smaller communities, and then using their model to branch out and interact with national (and even international) populations. By first partnering with businesses and other nonprofits in their neighborhood and addressing the needs of the immediate community, these organizations are able to build a stronger organizational model that can be developed and used in a number of different scenarios and locations. These nonprofits have engaged with new ideas by concentrating on building collaborative partnerships that benefit the work they are doing in the local community (Hula & Jackson-Elmoore, 2001) and then looking globally for how their organization and its successes can benefit communities elsewhere.

Finally, nonprofits are beginning to engage with the experimentation of new ideas through the way that they approach problems. An example of this is a recent campaign that Serve, a nonprofit marketing group, did for the Shaken Baby Association, Inc. In the campaign, the group did a "radio roadblock" (Stephenson, 2009) in which every radio station that chose to participate had the sound of a crying or screaming baby at the exact same time, ending with a message about never shaking a baby. If listeners tried to change radio stations to escape the sound of the crying baby, they would be met with the same thing on almost all radio stations, essentially creating an inescapable moment. Following up on this "radio roadblock," the Shaken Baby Association, Inc. held community meetings and addressed different ways to handle crying children via an interactive website designed for them by Serve. This scenario demonstrates not only the collaborative approach that these two nonprofit groups took in approaching shaken baby syndrome, but also how organizations can engage in new ideas and approaches to old problems so that they can adequately reach a contemporary audience (Kotler & Roberto, 1989) in this hyper-technological society.

Future Directions

In planning for the future, nonprofits can make an important move by continuing collaborations and partnerships that will strengthen the work that each organization does. This section will discuss one principal future direction that the nonprofit sector can take and has begun experimenting with in creating social change, changing public policy, and experimenting with new ideas.

Nonprofits in Cyberspace

We have entered an era in which cyberspace is a primary communication medium. People seek information on the Internet more and more often, and they also interact with nonprofits primarily through the different resources that nonprofit organizations provide via cyberspace (Reid, 2006). Nonprofit organizations must first figure out how to represent themselves and to determine what audience they want to access via their visibility on the Internet. Nonprofits can simply have organizational websites, or they can create various identities through social networking sites such as Facebook, MySpace, Twitter, blogs, YouTube, and podcasts. To have a more visible identity on the Internet, nonprofits must generate technological savvy among employees. Staff members have a deep knowledge of the work that they do and can contribute outside of organization-based web presence to dialogues that are happening on other blogs and news sources.

Nonprofit organizations can also use the Internet for their benefit because of the immediacy that cyberspace provides people. Nonprofits can generate e-mail lists and send out e-newsletters or even petitions, where people can either sign or donate money by just clicking a button. This is especially beneficial for nonprofits that are working in public policy or other activities in which a last-minute surge of support can be useful. Nonprofits also can be much more engaged with their community via the Internet by having forums, discussion boards, and comment areas on their website so that people can pass on information and opinions to the organizations.

Cyberspace also allows for the development of social networking so that communities (Anderson, 1983) can be formed around similar issues across the globe. The Internet and new social media allow organizers and activists the ability to discuss their work across global boundaries. In some instances (as long as there is Internet accessibility), nonprofits can engage directly with the human populations their work is affecting, for example, international environmental groups working on issues affecting populations in the Brazilian rainforests (Conklin & Graham, 1995). Finally, cyberspace is also a good place for the public to begin the search for organizational information and news on a cause that interests them and that they might support either through voluntary action or through donations. An example of a successful approach to generating public involvement is Kiva.org, a site that is specifically geared toward connecting donors with individuals or groups that seek micro loans for specific purposes.

Summary

The nonprofit sector has a number of different exciting opportunities and directions that it can take to address social change, to implement public policy change, and to engage with new ideas. As the service sector, it is in the ideal position to lead both the public and other sectors in constructing a more engaged social consciousness to deal with problems that need to be addressed. As discussed above, public policy change can come from local, grassroots nonprofits or collaborative efforts of nonprofits working together on a particular issue, advocating for the public interest. The nonprofit sector should be engaged with public policy on all levels because nonprofits can act in the interest of the communities that they serve and strive to push for policy that will benefit their mission and their geographic location. They should also recognize the responsibility that they have to act as advocates for their mission and to educate and empower the people with whom they work. Finally, nonprofits should recognize that public policy also affects their organization and the sector in general and thus continue to be engaged in the public policy-making process on local, regional, and national levels.

Nonprofits should also be the leaders in social change efforts as they directly work with communities. Nonprofits can engage with communities and develop their efforts around public concerns, receiving input at all steps of the process. They can act as activists, engaging in community organizing and leading direct actions toward social change, both locally and globally. Nonprofits can act as advocates for social change because they constitute the primary sector that researches and works in community organization and education, and thus, they are the closest link to the needs of groups of people. Finally, nonprofits have the responsibility of empowering the people that they work with so that communities can work toward strengthening and transforming through their own initiative.

Nonprofits engage with new ideas in a number of ways and at every step of the advocacy, change, and empowerment process in working with social issues and public policy. Engagement in new ideas as suggested in this chapter includes developing collaborative partnerships and using new forms of media. Generating new ideas and approaches to old and new social problems should be at the forefront of the work that nonprofits do because it creates a drive for organizations to not remain static, and it addresses social issues in ingenious ways to keep up with the changing atmosphere of our nation.

Note

1. The basic goal of a lobbyist is to represent the interests of a particular group by influencing decisions that are made in a leg islature. Lobbyists who directly interact in the legislative process are required to be registered and submit reports that give updated information on their activities.

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The Arts and Nonprofit Organizations

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This chapter offers an overview of the nonprofit arts sector in terms of characteristics, structure, and economic/financial considerations, and then it focuses on strategic concepts and differences that make arts organizations unique in the nonprofit arena. It concentrates on aspects of strategic management and marketing that are often neglected by arts organization managers and boards, who can feel pressured to direct efforts and resources toward surviving in a day-to-day mode that presents constant challenges. This chapter proposes that strategic planning is vital and need not be unduly time consuming. It offers a streamlined strategic planning model for arts organizations, which can be addressed in stages. It suggests opportunities for governance effectiveness in leveraging and controlling the synergistic efforts of internal stakeholders of the organization—management, staff members, volunteers, and the board of directors. Emerging opportunities and future directions for the arts sector are examined, including potential for "coopetition" among arts organizations and cost-effective research opportunities.

Characteristics of Nonprofit Arts Organizations

Nature and Types of Nonprofit Arts Organizations

Definition of the scope of the arts sector has historically been difficult because the borderline between arts and the broader concept of culture has not been definitively established. Nations and subcultures tend not to clearly delimit *arts,* or they define the term diversely, and any definition tends to reflect the influence of the definer's specific arts stakeholders and funding opportunities. The scope of arts sometimes is defined in the narrow context of *fine arts.* A more expansive characterization of arts includes the broader sphere of culture and nontraditional art forms, such as folk arts.

Nonprofit arts organizations fall into three general categories: performing arts, visual arts, and support organizations. Major types of performing arts organizations include music (e.g., chamber music groups, choral groups, and symphony orchestras), theater, opera, and dance. U.S. economic census data indicate the presence of 9,303 U.S. performing arts organizations in 2002, an increase of 104 over the 5 years from 1997 to 2002. In terms of sector size, the data show that states that had large numbers of such organizations at the start often lost organizations, while smaller states tended to add organizations.

The primary category of visual arts organizations is the museum. Data on museums aggregated by the Institute of Museum & Library Services (IMLS), estimated a total of 17,500 museums in the United States in 2005. Support organizations include arts presenters, arts agencies, arts councils, cultural alliances, arts education organizations, and colleges/universities.

Organizational Structure

Although the structures of nonprofit arts organizations vary, two models predominate in the sector. The structural type is headed by an executive director with managerial responsibility for the entire organization, including both artistic and operational functions. The second model has dual leadership, either formal or informal, and is effectively headed by an artistic director, who is responsible for both the artistic vision and functions of the organization, and an executive or managing director, who oversees the administrative and operational functioning of the organization. The latter dual leadership model is inherently more complex and often characterized by an ongoing struggle for leadership, resources, and power between the artistic and executive leaders. For example, the artistic director's focus may be on achievement of artistic quality, whereas the executive director may simply be trying to keep the organization alive in the face of financial and competitive challenges. In such a case, creativity may need to defer to strategic and tactical imperatives required to maintain or save the organization.

In both models, the directors typically report to a board of directors, headed by a board chairperson/president. That board may have committees responsible for overseeing functions such as development, finance, marketing, and strategic planning. As a result, there may be significant direct interaction between members of those committees and the managers of related staff positions. Informal organizational structures are often observed in nonprofit arts organizations, and they can result in both positive and negative effects on the health and effectiveness of the organization.

Many nonprofit arts organizations, particularly those in the performing arts, were conceived and started up by the first artistic director of the organization, who initially may have headed it without other managerial support or a board of directors. As the organization grows and matures, and staff and a board are added, the shift in culture may create conflicting cultural changes and unrest. A particularly significant void can be caused if the initial artistic director leaves the organization, taking with him or her the original vision and energy. The board of directors should anticipate that possibility by analyzing the degree to which the organization should be integrally tied to the founder and determining whether or not to take steps to minimize that dependence (e.g., by establishing a generic organizational name, marketing the organization rather than the founder, etc.). This can be quite a touchy issue as founders may become quite offended at the thought that they are not as important as they once were, and they may be tempted to leave and create a new and directly competing entity. Undue placation of the original artistic director, however, can be more detrimental than beneficial, so this issue must be approached carefully.

Economic/Financial Considerations

Arts organizations historically have labored to subsist even in good economic conditions. In recessionary environments, significant numbers will either close or struggle with impending bankruptcy. From an economic and artistic standpoint, nonprofit arts organizations are unique in several ways. Unlike other sectors, they experience increasing artistic and operational costs over time but are unlikely or unable to achieve significant productivity gains, a problem known as "Baumol's curse," named after the economist who first identified it. As a result, arts organizations tend to depend on unearned income because earned income does not cover their expenses. In most cases, they rely on a combination of public and private contributions for the majority of their income.

Sources of revenue for arts organizations can be classified into two types: earned income and unearned income in the form of contributions. Earned income includes revenue from ticket sales, memberships, and auxiliary operations (e.g., organization shops). Contributions may be either monetary or nonmonetary and include individual donations, corporate contributions and support, foundation grants and funding, and government funding and other support, such as tax relief.

The Strategic Planning and Management Process

The strategic planning and management process is arguably the most significant function of arts organization boards and managers. This chapter presents a practical, structured, and streamlined process geared to the time and resources available to most organizations of this type. That process includes the following elements: evaluation of the current business model; development of a competitive strategy, the organization's vision and mission, and its strategic and tactical goals; compilation of the formal strategic plan; and establishment of measurement and reporting capabilities and a stakeholder communication plan. It is usually not necessary or desirable to attempt to complete the process in a single board meeting or strategic planning session. A structured, well-planned approach is more likely to result in a strategic plan that is optimal, effective, and likely to be used on an ongoing basis rather than being relegated to a shelf and forgotten until a crisis arises.

Brainstorming should be used throughout the strategic planning process to achieve optimal results. It is important to acknowledge and capture all ideas, not just those that are used immediately, because they may be valuable after refinement or at a future time.

Understanding and Assessing the Business Model

The business model of an arts organization is established by developing a realistic assessment of reliable net income. The first step is to establish how the organization makes money. Who are the income-generating clients or customers? What do those clients need, want, and desire?

How does that translate into steady income based on historical data? Arts organizations must consider that any source of income is a stakeholder. For example, government agencies should be regarded as clients to be cultivated, marketed to, and served.

The second step in the establishment of a business model is to determine the extent to which value associated with income-producing activities is delivered to clients at an appropriate cost. This step quantifies core, reliable expenses in terms of activities and numbers associated with production, development, and operations based on past data.

The third step in business model development involves projecting reliable net income based on past actual numbers by subtracting the realistic estimates of annual expenses, developed in the second step, from the realistic estimates of annual income, developed in the first step.

The major benefit associated with developing and quantifying the business model is that it focuses the board of directors and management on thinking rigorously about the business and how all of the elements of the business fit together.

Competitive Strategy

Assessment of opportunities for competitive advantage and its development involves defining the direction in which the organization should move. The process begins with defining the organization's niche and its potential sources of competitive advantage. Attempting to appeal to everyone undermines that advantage; therefore, focusing on market-served segments is imperative. Establishing who the true competitors of the organization are, in terms of people's time and money, is also critical. Often, the major competition for nonprofit arts organizations comes not from other arts organizations but from indirect competitors, such as commercial entertainment, sporting events, cable TV, the Internet, and, for people overwhelmed by full schedules, simply staying home. The organization must look at all ways in which customers might spend their money to achieve an entertainment experience.

A key factor in the development of competitive strategy involves determining how to position the organization as top-of-mind in the eyes of its customers. Such positioning may involve the need for conscious segmentation decisions to concentrate on certain current/potential clients while actually de-emphasizing others.

In terms of competitive timing, research shows that being the first in the market usually pays off—if the organization maintains sustainability. This is particularly true with arts organizations because they are typically community-based, and a community often can support only one of each type of arts organization (e.g., symphony, opera, ballet). In such cases, it is critical to be the "first mover" because emerging as a viable second mover may not be possible. For arts organizations, the same often applies to being the best in the minds of their customers, with well-established organizations having an advantage over newcomers.

Strategy development needs to be focused on the long term, not just tactical issues. Developing long-term strategy must be consciously addressed and continuously assessed by the board of directors and management. Too often, in nonprofit arts organizations, strategy development and related decisions are done on an ad hoc basis, adopted from ideas thrown out by individual board members, clients, and funder representatives. Individual stakeholder suggestions and opinions are typically narrow in scope, unrefined, and represent a "sample size of one." Although the individual and the idea may be pertinent to the organization, a vast number of well-intentioned disasters might have been avoided if these ideas had been assessed and developed using the formal strategy development and assessment process.

A strategic planning activity often done in conjunction with assessment of the organization's business model and development of its competitive strategy is SWOT analysis, which assesses the organization's strengths and weaknesses (internal factors) and its opportunities and threats (external factors). This analysis can be rewarding in yielding important ideas and issues, but it may also be time consuming and resource intensive if done well. There is a risk that an organization may become mired in SWOT analysis at the expense of completing the larger strategic plan, so its board of directors and management should carefully weigh if and when SWOT analysis should be undertaken.

Mission Statement

The mission statement serves as the foundation for clarification and development of the vision of the organization. It should be a clear, concise declaration of the organization's high-level strategy, developed from the perspective of its stakeholders, which correlates with the vision statement. It is the organization's main tool for introducing and describing itself to the world and should capture the "who, what, where, when, and why" that represent the scope of the organization:

- What the organization does
- How it does it
- For whom it does it
- Where it does it
- How the organization excels
- What the organization wants to accomplish

Vision Statement

Using the statement developed above, the organization's vision statement, which is an even higher-level statement about what the organization wants to become, should then be discerned. The vision statement should take the form of a high-level sentence that captures the organization's core "reason for being," phrased as a direct, powerful, and active statement that is inspirational and easy to remember.

Example: San Francisco Opera

This example of vision and mission statements for the San Francisco Opera is particularly effective because the board of directors and management have thought beyond those statements to anticipate and define the resources that will be required to achieve the mission. Its three statements can be used as a basis for developing and maintaining the strategic goals, tactical objectives, and budget of the opera company.

Vision Statement: To be the most exciting force in the opera world

Mission Statement:

- To present opera performances of the highest international quality available to the widest possible audiences
- To perpetuate and enrich the operatic art form
- To be creative and innovative in all aspects of opera

To take a leadership role in training, arts education, and audience development *This Mission Demands:*

- A diversified, highly committed, qualified Board of Directors working in partnership with an efficient and effective top quality management team and staff
- Healthy financial performance with a balanced budget and adequate endowment
- Involvement with our community
- An image that reflects our artistic quality

Translating Vision to Reality

Too often, the vision and mission developed by an organization are underutilized. Those statements are meant to guide the organization, on an ongoing basis, to ensure that it stays focused. They are the foundation on which the strategic goals should be based. On the other hand, the statements should not lock the organization into a particular direction, and they should be re-evaluated periodically. As the organization grows and the environment changes over time, both the vision and mission are likely to require tweaking or restatement.

The vision and mission statements are powerful tools for communicating with current and potential stakeholders of the organization. For example, public relations and promotional uses of vision and mission statements include putting them on the organization's website and business cards.

Strategic Goals

The organization's strategic goals should be consistent with its mission and vision, and they should be shaped by the choice of overall strategy and business model. Strategic goals are typically developed with a 3- to 5-year time frame. For volatile organizations, a shorter time frame may initially be beneficial as long as the goals can realistically be realized within the specified periods. The strategic goals should address current, major issues facing the organization. Goals that are too narrow do not warrant strategic planning; they should be translated into action items. Goals that are too broad may be difficult to address; they should be limited or subdivided. It is important to tackle only issues and opportunities that the organization can do something about and achieve, from a practical standpoint. A range of three to seven issues/opportunities, translated into high-level goals, is the optimal number that most organizations should undertake. It may be beneficial to have shorter term as well as longer term goals, understanding the timeframe implications associated with each type.

Tactical Objectives

After the organization's goals have been defined, tactical objectives with narrower focused expectations must be developed. Those objectives should be realistic, achievable, operational, and measurable. Each should specify related activities, the person(s) responsible for completing them, and projected completion dates. The resources needed to achieve the goals must be identified and quantified, along with related costs. All costs should be budgeted. For objectives that are implemented immediately, it is important to ensure that the associated costs can be paid for within the current budget.

Compiling and Documenting the Strategic Plan

Compilation of the strategic plan is the culmination of the strategic planning effort. The plan consolidates the vision and mission statements, the strategic goals, and the tactical objectives, along with any other documentation that contributes important information to the strategic plan. It includes examination and integration of various potential tactical actions into an action plan that will be followed to achieve the tactical objectives, which should, in turn, result in achievement of the overall goals.

Clarity, readability, and visual attractiveness are critical in terms of ensuring that a strategic plan is used on a regular basis and effectively communicates vital information to the organization's stakeholders. It is therefore essential to find a good editor to structure, format, and proof the plan. The plan document should be flexible, adaptable, and easily changed.

The consolidated strategic plan should undergo a realistic review process. It should be vetted with the organization's key stakeholders to ensure that they buy into it. To be effective and enduring, the plan must be a living document, and its owners, the board of directors and management, must view it as the organization's official ongoing commitment to action. The plan itself should specify how often, and under what conditions, the plan will be reviewed and updated.

The plan should also outline how results will be measured, monitored, controlled, and reported at all levels of the strategic plan. Data collection should be set up to allow ongoing evaluation of what was expected as compared to what actually happened, which allows the organization to spot problems and make corrections if they appear before they become critical. Results measurement should evaluate actual performance against the related objective, which is the ultimate test of whether or not the objective has been achieved.

Monitoring and controlling the strategic planning process should be ongoing and cyclical. Periodic evaluation of actual results against planned results should lead to re-evaluation of strategies, goals, and objectives and implementation of alternate options as necessary and appropriate.

Risk management and contingency planning are important efforts that should be considered in even the smallest of organizations. Risk management includes assessment tools, frameworks, and processes that are implemented to manage potential issues and negative situations. Contingency planning is the process of evolving solutions to potential problems and disasters that facilitate an organization's effective response when such situations occur. For most arts organizations, it is impossible, and undesirable from a resource standpoint, to eliminate all risk. Rather, the goal is to reduce such risks to a level deemed acceptable by the board of directors and senior managers by using proven tools and techniques to develop alternative courses of action, based on potential negative scenarios, that can be activated as necessary. For example, in a declining economic environment, an organization's pre-set indicators (e.g., unexpected gaps between actual versus expected results) might mobilize predetermined processes to assess current activities and potential cost reductions.

Arts organizations often cannot afford sophisticated information systems. For them, simple information systems can be developed using word processing and spreadsheet tools to collect, condense, analyze, organize, update, and report measurement data in forms that the organization can effectively use.

For presentation of results to stakeholders, visual techniques, such as dashboard and balanced scorecard approaches, are valuable. For communication with external stakeholders, effective presentation of information in one or two pages focuses them on key summarized points. The goal is to highlight useful and motivating information, so high-quality presentation in terms of materials, layout, content, color, and graphics is valuable.

Using and Maintaining the Strategic Plan

It is possible to get mired at some stage in the strategic planning process. If that happens, it is important to focus on producing a working plan, realizing that it can be modified, as needed, after it is adopted.

Once the strategic plan has been developed and adopted, the organization must allocate adequate resources. In arts organizations, which often face unanticipated crises, it is easy to allow extraneous activities to drain allocated resources.

When the strategic plan enters the review and maintenance phase, strategic planning considerations should be incorporated into executive committee and board meetings. Decisions should be evaluated in terms of whether or not they fit the strategic plan. Knowing when to adjust or abandon a strategy or goal that is not working is important. The strategic planning documents should be modified based on actual performance. The strategic planning process is never "done"—it is cyclical and continuous.

Best Practices: Doing Things Right

Best practices in the arts sector can be defined as specific principles, strategies, approaches, processes, procedures, methods, and activities identified through research and evaluation of successful arts organizations that excel over time and are widely recognized as resulting in superior performance, results, effectiveness, and efficiency in specific areas.

While developing benchmarks for practice through studying what works well and learning from what doesn't can be helpful, the resulting knowledge should be evaluated critically because blindly adopting best practices may hurt, rather than help an organization. When assessing what makes arts organizations successful, it is important to concentrate on organizations that have been successful over time in achieving positive results and quantifiable gains, with strategies and tactics that are generalizable, replicable, and relevant for the evaluating organization.

Research does not indicate any best practices that come close to meeting all relevant criteria for nonprofit arts organizations. There is no proven "best" or "right" way to organize and manage that guarantees organizational health and effectiveness. Management and board practices are important, but they must be tailored to each organization's values, mission, and stakeholders' expectations because nonprofit arts organizational effectiveness is whatever its various stakeholders perceive and judge that it is.

Research does indicate that, if there is a best practice, it is probably consistent and productive communication and dialogue, in diverse ways, with the range of stakeholders, particularly those who impact the organization in significant ways. That dialogue enables the organization's leaders to shape the knowledge and expectations that stakeholders use in judging organizational effectiveness.

Arts Organization Governance

Governance Effectiveness

Research shows that stakeholders (management, board members, clients and customers, funders, and vendors) evaluate nonprofit organizational effectiveness in different ways. Stakeholders tend to perceive that board effectiveness and organizational effectiveness are related. However, the research suggests that adoption of generally recommended board practices does not result in improved board effectiveness. Similarly, a change to adopt the use of generally accepted management practices does not result in improved organizational effectiveness. On the other hand, good governance and reputation are inextricably linked.

Board and Management/Staff Interaction

Power and decision making in arts organizations are typically shared, with the roles and the degree and type of interaction between the board and management/staff often geared to the size and stage of development of the organization. Management and staff need a clear picture of the scope of the board's power and responsibility because board actions can strengthen and/or undermine nonprofit organizations. A strong, competent, relationship-oriented executive director is a key to success. A healthy relationship between the president/chairman of the board and the executive director is important, for example, to proactively and effectively address group and individual dynamics problems.

Staff Management

Effective staff management requires several elements, which often are missing in nonprofit arts organizations. These include complete organizational charts (staff, board, volunteer, and summary) and key function and process documentation. Position descriptions and performance appraisals must be developed and maintained for managers, staff, the board of directors, and volunteers. An integrated planning calendar is an important operational tool. Risk analysis and management are also important, including contingency planning for significant problems, crises, and disasters and off-site backups for documentation and computer files.

Managers of nonprofit arts organizations often do not have sufficient education or training in the use of the managerial tools and techniques outlined above. There is some irony in the typical contrast between the extensive training that artists receive and the relatively little training that their managers receive in how to run arts organizations successfully. Executive directors should assess their own training and development needs, as well as those of their staffs, and work with their Boards of Directors and professional association and community resources to acquire needed knowledge and skills.

Volunteers

According to the National Endowment for the Arts,

> more than 1.6 million Americans volunteered with arts or cul tural organizations in 2005. In contrast to volunteers with other types of organizations, arts volunteers are older, better educated, and more giving of their time. Regardless of a per son's education level, gender, or age, performing arts atten dance increases the probability of volunteering with arts organizations by 25 percentage points. Moreover, levels of activity, including arts and sports attendance, are better pre dictors of volunteering than are demographic traits.

The skills and abilities that volunteers bring to arts organizations range from minimal to professional. Volunteers with relatively little education and expertise can provide valuable low-level services that would otherwise be performed by paid staff members or would go undone. On the other hand, many volunteers have important business experience and capabilities, in areas such as management, marketing, and information technology, which the nonprofit arts organization often could not afford to buy. Volunteers at all levels benefit, as well, from experience building, skill development, and networking opportunities.

Volunteer Motivations and Recruitment

Research shows that people are motivated to volunteer to serve an organization for a variety of reasons, including (a) a sense of self-satisfaction, altruism, or desire to help others; (b) companionship and the chance to meet people; (c) the opportunity to learn; (d) an entrepreneurial desire to help to create or maintain an organization; (e) professional contact development; (f) advancement in their place of primary employment; (g) gaining training or experience, social status, or prestige enhancement; and (h) a feeling of pride in an organization's achievements.

A 1988 Gallup poll, which asked volunteers how they began serving nonprofit organizations, indicated that 40% were asked to volunteer, 39% participated somehow in the organization before volunteering, and 28% learned about the opportunity from family or friends. About 19% were proactive in seeking volunteer opportunities themselves. Only 5% responded to an advertisement asking for volunteers. Clearly, the most effective way for organizations to recruit volunteers is simply to ask them to do so. While advertising may serve other purposes, it evidently is not effective in attracting potential volunteers.

Volunteer Management

Volunteers play valuable and sometimes essential roles in nonprofit arts organizations. To maximize the benefits for both the organization and the volunteers, they must be treated professionally. Although they are unpaid, it is helpful to view them as staff members.

Recruiting, training, supervising, evaluating, and managing volunteers are functions that should be considered by the board of directors and management as part of the strategic and tactical planning processes. Functions, duties, and tasks to be performed by volunteers must be identified and developed.

Managers should begin the process of acculturating each volunteer through an orientation program, as they would do with staff members. Volunteers should be given documentation that includes the organization chart, strategic plan, position description, and other pertinent background material. They should participate in tours and in meetings with staff and other volunteers. They should receive appropriate training and supervision, individualized performance goals and benchmarks, and diplomatic evaluation and control. The nonprofit arts manager should consider that volunteers are uncompensated for the valuable services that they may provide, that they have options in terms of how they spend their time, and that they are motivated by recognition and other benefits, such as complimentary tickets.

Although volunteers are significant and often indispensable resources for nonprofit arts organizations, it is important to recognize that too much reliance on untrained volunteers in place of trained professionals can be problematic. Arts organization managers should carefully evaluate the use of volunteers, welcome them when they can serve effectively, but resist the natural tendency to use them simply to lower personnel costs. Potential staff compensation savings should be balanced against the resources required to train and monitor volunteers and the risk of using volunteers for some key functions. Volunteers, who may also be patrons and donors, must be managed and controlled differently from the organization's employees.

Development and Marketing

Pricing

In general, demand for nonprofit arts organizations is inelastic. In most cases, arts groups can increase prices, sometimes substantially and especially for upper tiers, without losing customers.

Another consideration in considering the establishment of price points is that higher price can effectively signal higher quality and value to arts patrons, which often is a message that the organization wants to send. Arts organizations, therefore, may be able to increase both income and perceived value by additional tiering and differentiation of ticket pricing and donor levels, which can be supported by related, often low-cost benefits.

It's All About the Experience!

Social aspects of an event can be as important a motivator for attendance as the art form itself. Some customer segments attend (and return) just as much for the social aspects of an event as for its artistic content. Social reasons for attending arts events include the opportunity to meet new people, time with family members and friends, pre- and post-event receptions and lectures, and the desire for exposure to something new.

To increase audience sizes, the organization should carefully evaluate possible experience offerings, beginning by surveying a sample of potential new audience members. Successful organizations get their positioning information from their target markets. However, trying to appeal to everyone may undermine the organization's distinctive niche and related appeal. Due to the clutter of leisure alternatives in the marketplace, arts organizations must find effective ways to break through in terms of positioning and differentiation (a recent *Harvard Business Review* article [Porter, 1998] focused on the need to maintain customer experience management instead of customer relationship management practices/procedures).

Marketing to Stakeholders

Nonprofit arts organizations are accustomed to marketing programs and events to their patrons. Their approach to individual, corporate, and foundation donors, however, is typically viewed from a development perspective that may not sufficiently leverage the wide range of marketing tools and techniques to optimize donations. While foundations often are quite clear in their criteria for funding arts organizations, corporations often are less so, and donor expectations tend to be much more personal and unspecified and often must be discerned and elicited by the particular arts organization.

Marketing to government funding and support agencies is also an underused idea. Nonprofit arts organizations should cultivate government funders with the same effort and energy that they use to market to ticket purchasers and contributors in the private sector. Government agencies tend to reward arts organizations that demonstrably meet their expectations, and they increasingly specify criteria for funding recipients, such as evidence of financial health and good financial management, artistic achievements that enhance the community, operational success, and effective marketing programs.

Arts organizations should use information on expectations and desires of donor and funding stakeholders in development of their strategic plans, marketing plans, and other stakeholders. They should evaluate current marketing tools and techniques in terms of their potential to enhance donor and funder income and use them in both broad and targeted contexts, as appropriate.

Stakeholder Communications

Effective and ongoing communication with stakeholders is vital. The organization's website and direct e-mails to stakeholders are valuable tools for communication. The organization's mission, vision, goals, objectives, and related reporting, such as the balanced scorecard, should be posted and clearly labeled on its website. Everything on the website, such as the organization's calendar and contact list, should be current, so regular updates and maintenance are required.

Reporting to stakeholders should be regular and consistent. One or more vehicles should be provided and publicized for convenient stakeholder feedback. Information provided to and about the organization should be acknowledged and analyzed. For example, accesses to the website should be analyzed to determine the number of hits, which pages are accessed, and who is accessing them.

Future Directions: Strategic Opportunities

Innovative Marketing Approaches

Recent research that is relevant for nonprofit arts organizations has focused on several different marketing concepts. One of the newest is the desirability of cultivating “love for the brand” with “invested” arts consumers and patrons. An arts organization can achieve that result by recognizing desires for mystery, nostalgia, sensuality, and intimacy. It also needs to understand and build a unique “brand personality.” Trial, purchase, repurchase, and donation are investments by customers on which the organization can build. An ongoing, mutually valued relationship requires stakeholder trust and commitment. To achieve these ends, the organization should endeavor to find out and, ideally, anticipate its stakeholders’ concerns so that it can address them and alleviate cognitive dissonance.

Coopetition and Arts Clusters

Historically, the challenge of competition has been met with a “business is war” outlook and strategy. The idea of “coopetition,” a relatively modern approach to competition characterized by contemporaneous cooperation among competitors, was championed in the seminal work of Brandenburger and Nalebuff (1996). They proposed that “business is simultaneously war and peace. Most businesses succeed only if others also succeed.” For arts organizations, the idea that collaboration and competition can productively coexist is a powerful and productive one. For leaders of arts organizations, who may tend to cooperate even in situations that prove not to be economically viable, it is important to remember that cooperation pays off in some situations; competition in others. Where coopetition is mutually beneficial, it can take many forms, from single transactions or single projects to strategic alliances with other nonprofits or corporations.

Clustering is a concept that is closely related to coopetition. Clusters are occupational communities with geographic, cultural, and institutional proximity that experience unique coopetitive success in a particular industry or sector. Compared with isolated arts organizations, those that are part of arts clusters tend to enjoy the benefits of interaction with each other, better information, and powerful incentives. Interaction and collaboration among arts groups tend to result in increased productivity, creativity, and innovation. They stimulate the formation of new, related complementary businesses. Competitive advantage relies, to a large extent, on local synergies that cannot be duplicated by groups of organizations that are not geographically concentrated. Often, nonprofit arts organizations in clusters can more easily find individual and mutually beneficial community solutions to the challenges that face them.

Research Opportunities and Consulting Assistance From Universities

Universities and their faculties are often willing to assist nonprofit organizations on a pro bono basis. They can be helpful in identifying and analyzing existing research that may be valuable to an organization. They can help develop surveys and often can provide online survey options, including hosting and results analysis, development, presentation, and reporting, at no or low cost. Organizations must realize, of course, that good research must be planned and generally takes time. Conducting and analyzing a survey, for example, is not a one-week project.

Summary

Nonprofit arts organizations are inherently different from for-profit organizations in several ways. They are nonprofit, to a large extent, because market forces lack the economic incentive to fully support their products and services, which are socially desirable but often intangible, and because they typically require government subsidies and other philanthropic support to survive. As a result, the spectrum of nonprofit arts organization stakeholders is significantly different from that of for-profit organizations because they serve both public and private constituents. The financial statements of nonprofit arts organizations are also different, reflecting their tax-exempt status, a typically significant percentage of unearned income, and the varied sources of that unearned income.

Despite the differences outlined above, there is much that nonprofit arts organizations can learn from for-profit businesses. They should leverage, and adapt as necessary, the management, marketing, information systems and technology, and communications tools, techniques, and products developed and successfully used in the corporate arena.

Nonprofit arts organizations have some significant strategic advantages. They often have the inherent capability to develop special relationships with their stakeholders, which may be based on philanthropic and aesthetic desires, strong trust, intense loyalty, and emotional attachment. Their tax-exempt status and ability to attract public-spirited contributions can also be advantageous.

On the other hand, a disadvantage for the arts sector is that, for most people, the arts represent a want or desire rather than a necessity. The emerging presence of a variety of appealing substitutes (e.g., high-quality home audio systems and classical CDs versus live performances) may threaten arts organizations in difficult economic times. They must respond with innovative and appealing approaches, which will differ for each organization, depending on its niche and the desires of its stakeholders. Although nonprofit arts organizations may view each other as competitors, surviving and thriving may depend on their ability to cooperate with each other and their stakeholders, in unique and compelling ways, to achieve success.

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21

Community Development

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Community development, in both concept and action, is dependent on a group of like-minded people working together to improve and further grow a local community. The group of people who work on developing a community includes a range of individuals from citizens and business owners to activists, civic leaders, and local supporting organizations, including service industries (police, fire, and rescue) and nonprofit organizations (United Way, Goodwill Industries, and community foundations). These varied groups can join in simple activities such as holding community clean-up days, creating local book clubs, or organizing area functions/events. Larger, more intricate, financial projects may include infrastructure improvements, educational initiatives, vocational programs, job possibilities for the unemployed, assistance for low-income families, and even housing opportunities.

Whether large or small, these projects are mutually beneficial for the community and the nonprofit organization.

Community Development

What is formally referred to as *community development* is often informally called *community building.* The goals and objectives are the same for both concepts. In each case, nonprofit organizations' roles are to provide a group of individuals, associations, and organizations with the skills and abilities they need and desire to create change within their defined community. An important component for the success of a nonprofit organization in community development is the inclusion of the community in the determination of need and the assessment of desire.

The importance of the dialogue between community and nonprofit organizations cannot be overemphasized. Quite often, the agenda of community development or community building is determined based on recognized needs of the community, which are often defined as a deficit. The goal of community development within nonprofit organizations, however, is a positive one: assisting community members in creating a strong and vibrant community with a unified vision or outcome.

Initially, community development or community building was born out of issues addressing the nation's poverty crisis in the late 1960s. In her article "Community Building in Theory and Practice: Three Case Studies," author Joan Walsh (1997) states that poverty was widely viewed as a framework of related problems including lack of educational experience, high unemployment rates, poor health, juvenile delinquency, and more. The federal government created programs designed to encourage the poor to use the resources at hand. Decades later, critics were still crying foul, saying the assistance had likely made the situation worse. According to former President Ronald Reagan, "We fought a war on poverty, and poverty won" (quoted in Walsh, 1997, p. 294). By the late 1980s, the federal government started to steer away from systematic approaches to addressing needs of low-income families and individuals and instead to examine how building relationships and networks within depressed or underserved areas could result in improved communities. Community building coalitions between nonprofit organizations and community governmental structures examined a problem (often poverty) as part of a bigger web of complex community problems, such as family issues, lack of education, unemployment, crime, and poor health. Leaders in this movement included the Annie E. Casey Foundation, which launched its New Futures program by investing $50 million in midsize cities to create collaborative structures in communities. The Ford Foundation developed projects targeted to human services and community development through the Neighborhood and Family Initiative. The Rockefeller Foundation allocated funds to address urban poverty and renewal issues as part of its Community Planning and Action Program. Most of the work in community development was undertaken by the members of the community who wanted change. Often through the funds of nonprofit organizations, people were hired by businesses and government to oversee, manage, monitor, and maintain the change. These hires were called *community developers.* They worked to ensure that the growth of the community was created by its members and not controlled by political forces, which may at times have an investment or stake in a community's success. Community developers worked and continue to work today in a variety of capacities including organizing meetings, conducting surveys, targeting potential problems or deficiencies, conducting needs assessment, identifying human talents or capabilities within the community, and more. The focus of the community developer's position was and is to create opportunities, manage barriers, and assist in implementation of projects to produce the desired results and improvements wanted by the community and the nonprofit organization.

In the *Journal of Community Psychology*, Joseph McNeely (1999) provides examples that demonstrate how communities are able to identify their own needs, commit to planning and action, and, in the end, review the success and impact of the actions taken. The community itself often finds the solution to its problems through organizing, planning, and taking responsibility. Two examples from McNeely's research are the city of Baltimore, Maryland, and a neighborhood of Washington, D.C.

In the drug-riddled Boyd-Booth neighborhood of southwest Baltimore, a community group banded together to stop the open-air drug trade on their local streets. With police cooperation and with funding from the governor's office and the Citizens and Planning Housing Association, community members held marches and community cleanup days, installed new street lighting, and developed positive alternatives for youth such as afterschool and summer youth programs. The result of this work was a 52% decrease in violent crime and an 80% drop in drug arrests within the community in 2 years.

Similarly, a Washington, D.C., tenant association took over the management of its public housing project and developed its own cadre of social services and development initiatives with the help of the mayor's office, local doctors and dentists, and an area employment agency. During the first 4 years of the project, rent collections increased by 77%, 102 jobs were created for residents, and 132 residents were able to get off of welfare.

In both Baltimore and Washington, community building was based on the engagement of constituents in all aspects of the needs assessment and solution implementation. The key to successful community building is the fact that change is driven from within and the process is inclusive of community members with the outside assistance of nonprofit organizations.

Asset-Based Community Development

When a neighborhood is struggling to survive, it can be a result of a lack of monies to fund projects; an increase of crime and violence; a migration of people from the community, leaving homes and businesses vacant; or a deficit of jobs and a sustainable economy. Communities often start by searching for more money to make improvements. An asset-based community development (ABCD) approach asks the community to review and rethink the problem and create a new solution by tapping into and supporting the growth of their current resources. John McKnight and John Kretzmann, Northwestern University faculty and cofounders of the Asset-Based Community Development Institute, call ABCD a means for a community to build on the people, establishments, and associations that are found in poor and struggling areas. This process of community development focuses on the positives people can offer and not the negative associations (crime, unemployment) tied to a specific community.

ABCD helps a community by using the gifts and capacities (assets) of its members. In the previously mentioned Washington, D.C., scenario, a single welfare mother took the initiative to create a program for getting children in the public housing complex to go to college. The tenants rallied behind this individual to support the college encouragement program and ultimately took over management of the housing complex. Solutions and a stronger sense of community pride and value are derived by focusing on what skills and abilities are available versus what is needed or lacking within the community.

Kretzmann and McKnight (1993) suggest that certain communities in the United States automatically generate a negative response based on their name and image, for example, the South Bronx and South Central Los Angeles. Unfavorable images of crime, drugs, gangs, and welfare dependency have become what the authors label as the "whole truth" of a community, and not part of the truth.

> As a result, many lower income urban neighborhoods are now environments of service where behaviors are affected because residents come to believe that their well being

> depends upon being a client. They begin to see themselves as people with special needs that can only be met by outsiders. They become consumers of services, with no incentive to be producers. (p. 3)

This idea is supported by the earlier theory of Charles Murray (1984), who argued that growing welfare programs had hurt the poor because they rewarded idleness, enabled illegitimacy, and allowed fathers to abandon their children to the mothers, who ultimately were tied to the welfare system.

So how does a community turn the thinking around to become producers and not just consumers of services? ABCD invests in the abilities of those who live and work in the community. This investment is also termed *capacity focused development* because the work undertaken is targeted toward what residents are capable of and what skills and assets they can bring to the solution.

Historical evidence, according to Kretzmann and McKnight (1993), indicates that significant community development takes place when people are willing to dedicate their personal talents to the effort of improving their own environment. This, they conclude, is why "communities are never built from the top down, or from the outside in" (p. 5). Plus, with numerous localities both rural and urban competing for national, state, and local funding in these difficult economic times, one viable alternative is to look at what is actually on hand to start creating growth and improvement. Ultimately, it is the people—residents, business owners, associations, and institutions—who are the greatest resource for change in the community.

ABCD relies on the people to create an agenda and examine the capacities of all of the partners in solving the problem(s) at hand. This work is internally focused and although it does not exclude outside resources or services, it maintains the value of finding solutions in the assets of people within the community. ABCD, then, is most often relationship dependent and typically succeeds when community developers continually create dynamic relationships between individuals, businesses, schools, service institutions (such as police, fire, rescue, hospitals), and nonprofit organizations. Deficiencies are addressed through community-based programs, policies, and services and ultimately result in teaching residents the nature of their problems and the value of their work and commitment to improvement.

A good example of a nonprofit organization that centers its programs on ABCD is the Annie E. Casey Foundation. The foundation's website (http://www.aecf.org) describes its primary mission as aiming to

> foster public policies, human service reforms, and community supports that more effectively meet the needs of today's vul nerable children and families. In pursuit of this goal, the Foundation makes grants that help states, cities, and neigh borhoods fashion more innovative, cost effective responses to these needs.

As part of its Civic Sites grantmaking program, the foundation supports cities where they have close hometown connections (Atlanta, Baltimore, New Haven) and envision that they will be part of a strong and growing leadership program for years to come. And their work continues to expand outside of these areas, including Washington, D.C., "where we have strong ties to their child welfare and juvenile justice agencies, leadership, and philanthropic base." The importance of relationship and community assets is reflected in the fact that the foundation does not seek or often fund unsolicited grants. Their website notes: "The Foundation's approach to grant making focuses on making multi-year, multi-site commitments that enable us to invest in long-term strategies and partnerships that strengthen families and communities."

Similarly, the Great Rochester Health Foundation (GRHF) in New York State supports growth and development through ABCD. In 2008, GRHF launched a program called Neighborhood Health Status Improvement aimed at aiding five different communities in developing grassroots, asset-centered improvements of the health of their community members. Each individual community received funding and support based on specific health problems tied to poverty and social issues.

Each community examines a variety of issues including the local economy, jobs, environment, and housing and looks at how healthy social interactions can address these problem areas. As GRHF funding continues, community members assist in creating community health improvement plans that ultimately improve the lives of residents and the great Rochester area as a whole.

For many communities that are struggling with poverty and social issues, the asset-based approach as shown by the Annie E. Casey Foundation and the GRHF provide a sense of pride as well as financial support. Including the communities in the solution rather than focusing on their problems helps to ensure the success of these programs.

What Makes a Strong Successful Community

An often-cited author, who examined what constitutes a good or successful community, is activist, educator, and political appointee John W. Gardner. Gardner was the secretary of the Department of Health, Education, and Welfare (HEW) during the Lyndon B. Johnson administration and worked tirelessly to create programs and services that promoted the "common good" of all people. His achievements include civil rights enforcement during the late 1960s, overseeing the HEW launch of Medicare, expanding the Elementary and Secondary Education Act of 1965, and establishing the public television network (Corporation for Public Broadcasting). John Gardner also created the first U.S. nonprofit public interest group, Common Cause, which is dedicated to making government more open and accountable to the public interest.

As a prolific writer and speechmaker, Gardner's interests lay in improving the way of life for Americans through the routes of communities, education, and leadership. In a 1998 broadcast address, Gardner set forth the five factors he believed were necessary in building a healthy community. These factors were described as:

1. *Wholeness incorporating diversity:* The community allows diverse groups of people to get to know one another and uses conflict resolution and collaborative problem solving across groups. In his address, Gardner stated that "it requires institutions that transcend group differences" to promote this characteristic and to establish incorporated diversity within a community.
2. *Reasonable base of shared values:* The community recognizes a shared value system across its members and provides leadership that reflects the community values. He said, "Every successful society we know anything about has created a framework of law, custom, and beliefs to channel behavior toward purposes deemed to be acceptable."
3. *Effective internal communication:* The community building also relies on open, honest, and ongoing communication across all boundaries and groups. According to Gardner, the dialogue must be "candid and continued" in order for all parties to understand the assumptions of others and to provide a solid foundation for community development based on community needs.
4. *Caring, trust, and teamwork:* The community dialogue must reflect care, trust, and teamwork across diverse community members. This type of dialogue translates into respect for all community members. Gardner suggests that through teamwork, shared values, and the establishment of trust, a community builds its own social capital.
5. *Participation:* The community needs to foster leadership and membership participation in its developmental programs that is inclusive of all its diverse groups. According to Gardner, "We must help potential leaders at all social levels to know and understand one another." The community must take an active role in encouraging diverse community members to play a role in public leadership.

A good example of the application of Gardner's tenets is the Communities and Government Office of the United Kingdom (www.communities.gov.uk). On its website, this entity asserts that it works to provide citizens with "a safe, prosperous and healthy community. A community where everyone has the right to the same opportunities, freedom and respect. Somewhere we can be proud of." The mission includes increasing home construction in hopes of helping to reduce homelessness, improving public services, creating additional jobs in revitalized areas, and addressing environment and social behaviors. Their website continues to define sustainable communities as "places where people want to live and work. . . . They meet the needs of existing and future residents, are sensitive to their environment, and contribute to a high quality of life." Furthermore, these sustainable communities are viewed as safe, well-built, and well-run, offering everyone the same quality of opportunities and services.

Whether intentionally or unintentionally, Gardner's targeted look at leadership is commonly used in dialogue resulting in strong communities. These discussions often result in a community that provides successful programs in: family services; education that promotes success for all children; healthy environments free of pollution and with clean water and reduced crime and violence; affordable housing; adequate transportation and effective community policing; and economic and job development. The common threads in applying Gardner to these communities are the inclusion of diverse community members and respectful discussions of issues including what people want and need for themselves from their community.

What Community Members Want and Need

In educational psychology, a body of research examines factors that influence human behavior and motivation. These factors include biology, achievement, and even power to influence the outcome. One of the premier authors who synthesized and conceptualized this research is Abraham Maslow (1954). His conceptualization of human motivation is presented as Maslow's Hierarchy of Needs and is shown in Figure 21.1.

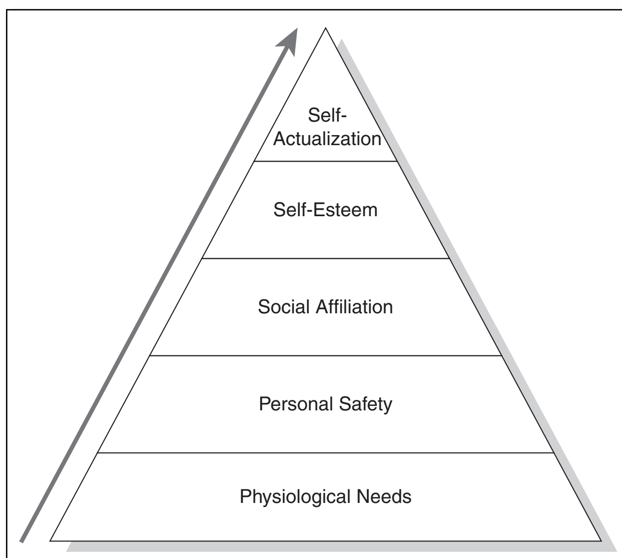

Figure 21.1 Framework for Maslow's Hierarchy of Needs

SOURCE: Maslow, 1954.

This conceptualization provides a hierarchy of human needs in which the lower need must be met before moving to a higher need. The first human needs depicted are basic needs, including physiological needs for food, water, warmth, and rest, and then issues related to safety and security. Once a person has satisfied these basic needs, the psychological needs of belonging and affiliation with others, love, and self-esteem, as represented by satisfaction with personal accomplishment and recognition, become the focus and the motivation for the individual. On fulfilling both basic needs and psychological needs, the person's next stage is self-actualization, which includes reaching one's potential. Self-actualized people are solution focused, appreciate life, and have the ability to help others find self-fulfillment and realize their potential.

According to Maslow (1943), to be satisfied in their environments, people typically need to have 10% of their self-actualization needs, 40% of their self-esteem needs, 50% of their belonging and love needs, 70% of their safety needs, and 85% of physiological needs met through the community. Therefore, nonprofit organizations' initiatives would want to work initially to assess the housing, environment, transportation, and safety issues.

In an ideal world, by combining the work of Gardner (1998) and Maslow (1954), nonprofit organizations and community leaders would work to support communities and reduce the number of residents living at or below the poverty level (defined by the U.S. Census Bureau as a household income of $22,025 for a family of four). The funding and development of community programs such as the Goodwill Industries, which provides vocational training, or the Salvation Army, which addresses housing, food, and physical and mental health needs, are essential for a community that recognizes and meets the needs of all its members. A wide range of appropriate services accessible to the public and the entire community including health care, social services, education, and training is the framework for community development.

The basic needs of food and shelter are coupled with the feeling of security and safety. In the increasingly diverse and multicultural U.S. society, social and cultural exchanges that are harmonious, safe, and inclusive are key elements in community development. These exchanges must be based on tolerance, respect, and interaction with people from diverse backgrounds and the support of law enforcement agencies.

A number of foundations and nonprofit programs provide vital support for fostering secure and safe communities. Many of them have funded or developed programs aimed at reducing or eliminating gang violence within urban communities. They include The Foundation for Full Recovery (http://ffrwhatcom.org), the San Diego Foundation "Stop Now" program (www.sdfoundation.org), the Community Solution to Gang Violence (www.csgv.ca), and Ceasefire Chicago (www.ceasefirechicago.org). Each of these programs works to meet the most basic needs of safety and security within a community. Ceasefire Chicago, for example, developed a public education campaign to help residents understand that violent actions are not acceptable. Ideally, these programs also enhance interactions within the community through friendly cooperation and exchange of words and ideas across cultures or diverse community groups.

The sense of security and safety allows a strong community to develop the visible presence of multiple cultures in its activities, leisure, entertainment, and sports. The respectful and safe inclusion of all people within a community yields low levels of crime, a sense of a secure community, and a sense of belonging.

A sense of belonging is enhanced through effective representation, which is inclusive of diverse people and organizations within the community, whether it be a political group (city council, board of supervisors) or community groups such as homeowner associations or neighborhood watch programs. Community participation enhances a sense of belonging that allows the community to develop in ways that reflect a commitment to civic values held by all community members.

This commitment extends development beyond basic needs to issues that facilitate community pride such as public and green spaces that are maintained and can be used by all residents, from children to the elderly; efficient and effective use of resources and services provided (water management, land resources, waste management, recycling, etc.) based on low negative impact; protection of natural resources (water and air quality, reduction of noise pollution) with a mindset on providing future generations to come; facilities and services providing residents with links to home, job, school, and health care; and other services, including roadways, public transport, walking pathways, and bike trails, and adequate parking facilities for community members, friends, and guests. A diverse and flourishing local community depends on and promotes a wide range of jobs and job training opportunities.

The result of this type of positive community development goes beyond supporting community members in their everyday existence. It allows service providers and nonprofit organizations to be visionary with regard to the future and how outside forces may affect the local community (government monies/services). Community development is not limited to discussions of present community needs but looks ahead. It has the ability to create new jobs and a strong businesses sector with connection to a wider economy. It allows the transportation of communication through telecommunication and Internet availability to improve communication and feedback across local and global communities. Community development moves community from maintaining to truly growing and developing a future.

Other Communities

Given the previous tenets regarding community development and meeting the basic needs of community members, is it possible for other communities to be developed in the same sense as those that have a shared locality or geographic region? Is it possible for communities' members to be bound by values, shared interests, or actions rather than locality?

In the past, "other communities" were often subgroups within communities based on locality. For example, the definition of neighborhoods in large cities was often defined by ethnicity (e.g., Irish neighborhoods, Polish neighborhoods, Hispanic neighborhoods, etc.). Religion also played a role in defining community and the individual, with stereotypes and cultural traditions related to religious practice (e.g., Jewish communities, Catholic communities) and members who shared ethnic or religious background. Not-for-profit organizations associated with churches and neighborhoods came into existence to support subcommunities of larger localities. Examples of these include the Jewish Foundation of Los Angeles, California (www.jewishfoundationla.org) or the Polish Heritage Society of Grand Rapids, Michigan (www.polishheritagessociety.com). Although individuals were members of multiple communities, the interaction among community members continued to be based on locality or geographic proximity.

The current and future possibilities of online communities have substantially changed the definition and extended the opportunities for "other communities" to go beyond local regions, providing the potential for global communities that are bound by actions, vision, and values.

A community, then, may be developed around a product, a link to a well-known business entity, or the promise of information that is perceived as having value or interest. Communities are founded on common values and interests that are not location bound. This freedom from geographic limitations also increases the opportunities for an individual to be a member of multiple communities.

If an online site is the foundation of the community, the opportunity to grow the audience or develop the community is easier, based on the issue of availability. The number of opportunities for the member to interact within the online community strengthens the individual's identification as part of the larger sphere of people who share the same interest or values. In turn, if the community or online site creates dynamic interactions that allow members to discuss their needs, share information and opinions, and provide resources supporting members' needs, online communities may be the most powerful of all communities that nonprofit organizations can develop.

The online community offers a vehicle for building leadership and strong communities, as suggested by Gardner in his 1954 address. The information generated within an online community is based on the diverse perspectives of its members. Blogs may provide visitors with information and insight from any number of experts relating to a specific topic or field, or they may offer the opportunity to voice opinions as well as read the concerns of other members. Communication is open and visible to the constituents of the potentially global community, and all members of the community have a voice. If the website features an online forum, such as an area of user-generated dialogue, reaction, and comment on a specific subject, the online community provides thought-provoking interaction for readers and users alike that allows all members to participate and shape their online community.

Many popular online communities feature resource directories providing visitors with information, service providers, coupons, helpful hints and more to meet their needs. Directory information is culled from numerous sources and provides a broader net of growing a community. For example, an online resources directory at The Parent Report (theparentreport.com) lets users browse information by topic, ranging from children's behavior to traveling with children; at the same site, users can learn about developmental issues related to age group, such as newborn or teen. Choose a topic, and you are provided with a wealth of information via articles, book excerpts, and even radio programs. Visitors can even post their input related to specific articles or answer questions that users have posted.

The late 20th century saw the rapid growth of e-mail for both personal and business communication. In less than two decades, online social network communities (Facebook, YouTube, MySpace, and Twitter) quickly altered the way in which information was disseminated. Online websites have and may serve as the best in community development, allowing for diversity in membership, openness in communication, participation of all members in leadership and voice, and resources that enhance the lives of members.

There is no question that with the increasing growth of technology and society's reliance on it, specific ways of communicating within communities have changed, both locally and globally. However, are all forums communities? Are forums including the increasingly popular fan-based websites—which serve as a means for sharing likes and dislikes about an aspect of a book, movie, television show, or other entertainment media—considered a community based on interest or values? Many would speculate yes.

When online bloggers picked up the story of an unknown Scottish woman's singing audition on a British television talent show, they posted a link to the YouTube video of the performance. The link became an overnight sensation and was viewed more than 47 million times worldwide within a week (http://mashable.com). It has become one of YouTube's most popular videos with more than 80 million views registered. This popularity translated into retail success according to Nielsen SoundScan, and Susan Boyle's debut album broke the record for the highest, single-week album sales in 2009, with more than 701,000 units sold. This number also gives her the best-selling debut album by a female artist since data were first collected in 1991 (www.billboard.com). Are those who viewed Susan Boyle members of a community?

Look at the impact of texting in light of the 2010 Haitian 7.0 magnitude earthquake that devastated the country and killed hundreds of thousands of residents. Within 2 days of the news, the American Red Cross raised more than $7 million from 700,000 wireless customers via text messaging, with every major wireless network represented according to some sources. The response was astounding, but according to analyst Jeff Roster, not surprising. “People are comfortable with text messaging,” he says. “Texting is the form of communication for the next generation” (quoted in Kaneshige, 2010). Is it also the representation of a global community?

Future Directions

Nonprofit organizations such as the American Red Cross have used online communication as a vehicle to connect to members. It is impossible for online communities to exist without a base that supplies the framework and direction for member interactions. The purpose or reason for this base may suggest whether the online site is truly a community. Community development is founded on meeting basic needs of its constituents and enhancing their growth. If one applies these criteria to online communities, the phenomenon of Susan Boyle did not constitute a community, and the American Red Cross and its use of texting to support Haiti relief may represent community.

When a geographic area or online site creates a dynamic interaction that is inclusive of diverse members, it provides the basis for community. As community develops, the organization provides a comprehensive communication system that allows members to discuss their needs and share information. The community also works to build an infrastructure that creates and provides the resources to meet members’ needs and enhance members’ lives. This communication is integral to community development and may be face to face or online.

As nonprofit organizations look to support community development today and in the future, more than likely, both online sites and geographic locations may need to be considered. This hybrid approach allows for the expansion of the definition of community beyond geographic location to a global entity that incorporates worldviews and resources. The incorporation of the online community increases the assets and talents available to address community concerns. This hybrid approach also recognizes and anticipates the future in its inclusion of a global community.

If communities are defined as people, then people and what they bring to the table in terms of knowledge, talent, and values must be part of the solution. As nonprofit organizations continue to support community development, they continue to support people. The reciprocity of this relationship between nonprofit organizations and the people they support is integral in understanding community development. Communities and nonprofit organizations cannot accomplish their goals without the support and involvement of the other. Therefore, the nonprofit organization not only assists in the development of the community but becomes part of the community itself. This integration places the support and assistance of the nonprofit organization in the context of the community itself and ensures the successful community development.

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22

Education (Pre-Birth, Preschool, and Early Childhood)

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"It takes a village to raise a child." This ancient African proverb is particularly applicable to the nonprofit sector's approach to and involvement with education from pregnancy through early childhood. Decades of research have demonstrated the need for education services for young children and families as a preventive measure against later school failure and behavioral problems. In fact, high-quality early childhood education services can contribute to better school and life success. Longitudinal studies have demonstrated long-lasting effects of such programs, and nonprofit organizations have been heavily involved in the providing them.

There is a great need for nonprofit involvement in early childhood education, as "only one penny from every new, non-defense dollar spent by the federal government has gone to children and children's programs over the past five years" (Isaacs, 2008a, p. 1). This encompasses all spending on children, of which funding for early education and care is only part. The nonprofit sector has played a significant role in providing community/direct services in early education, many of which provide examples of best practices or model programming. In addition to direct service, nonprofit organizations have achieved major accomplishments in research and advocacy.

Key Nonprofit Organizations Involved in Pre-Birth, Preschool, and Early Childhood Education

While a great many nonprofit organizations are involved in the issues of pre-birth, preschool, and early childhood education, the following organizations stand out for the length of their involvement and the level of their accomplishments.

Annie E. Casey Foundation

One of the largest private, philanthropic foundations in the world, the Annie E. Casey Foundation (http://www.aecf.org) was founded in 1948. The foundation's mission is "to foster public policies, human-service reforms, and community supports that more effectively meet the needs of today's vulnerable children and families" (Annie E. Casey Foundation, n.d.). All of the foundation's programs focus on providing necessary funding and services to children and families, and the Early Childhood and School Readiness initiative is particularly relevant for young children.

The goal of the early childhood and school readiness initiative is to ensure that all children and families have equal and accessible opportunities to obtain high-quality and culturally sensitive early childhood programming. The initiative seeks to find examples of best practices and provides grant funding to a number of key nonprofit agencies working in early childhood education, including Zero to Three, the United Way of America, and the Children's Defense Fund.

The Brookings Institution

The Brookings Institution is a nonprofit organization focused on research and public policy. Brookings is considered to be one of the most influential and trusted nonprofit think tanks in the United States. The Brookings Institution houses a Center on Children and Families that "studies policies that affect the well-being of America's children and their parents, especially children in less advantaged families" (Isaacs, 2008a, p. 29). One of their focus areas is the role education can play in reducing inequality and poverty in our society. The Center on Children and Families also collaborates with Princeton University in publishing a journal titled *The Future of Children* (http://www.futureofchildren.org). *The Future of Children* is published twice each year and focuses on using research to create valuable policies and programs for children and to influence legislators and policymakers.

Carnegie Corporation of New York

The Carnegie Corporation (http://www.carnegie.org) is a nonprofit foundation that was started by Andrew Carnegie in 1911. One of the Carnegie Corporation's main goals is to further education and knowledge in the pursuit of Carnegie's philanthropic vision "to do real and permanent good in this world." The Carnegie Corporation has played a significant role in advancing the cause of early education in the United States.

Children's Defense Fund

The Children's Defense Fund (CDF; http://www.childrensdefense.org) is a national nonprofit organization focused on child advocacy to help provide children with necessary resources. One of CDF's goals is to provide regular and high-quality education to all children. CDF publishes an annual report titled *State of America's Children* that details the most current and trusted state and national research on issues facing children and families, including a section on early childhood care and development.

The Children's Defense Fund also sponsors an Emerging Leaders project. The goal is to provide training for early childhood development advocates and a forum to help advocates find and connect with one another. The project holds two annual events that focus on sharing research and best practices and provide extensive networking opportunities.

First Focus

First Focus is a nonprofit organization dedicated to bipartisan advocacy. Their goal is to make children and families a national priority in terms of both policy and budgetary decisions. Education is a primary concern for First Focus, and the organization works to bridge the partisan divide to influence federal policy making (Isaacs, 2008a, p. 29).

March of Dimes

March of Dimes (http://www.marchofdimes.com) has played a long and prominent role in American society. Originally created to eradicate polio, March of Dimes changed its mission after the polio vaccine contributed to the near-elimination of this disease. Since 1958, their mission has been "to improve the health of babies by preventing birth defects, premature birth, and infant mortality. We carry out this mission through research, community services, education and advocacy to save babies' lives."

National Association for the Education of Young Children

The National Association for the Education of Young Children (NAEYC; http://www.naeyc.org) is focused on "improving the well-being of all young children, with particular focus on the quality of educational and developmental services for all children from birth through age 8." NAEYC conducts research to set standards for quality early childhood education, works to improve both professional development opportunities and working conditions for early childhood education staff, and promotes the importance of early childhood education among parents, families, legislators, and governments.

Pew Charitable Trusts

According to its website, the Pew Charitable Trusts (http://www.pewtrusts.org) "is driven by the power of knowledge to solve today's most challenging problems. Pew applies a rigorous, analytical approach to improve public policy, inform the public and stimulate civic life." Pew has three projects that focus on the area of early childhood education: Pre-K Now, the National Early Childhood Accountability Task Force, and the National Institute for Early Education Research. Pre-K Now, a campaign of the Pew Center on the States, advocates for quality prekindergarten programs for all children ages 3 and 4. The National Early Childhood Accountability Task Force studies the performance of prekindergarten (or preschool) programs. This research will be used to assist states in the development and improvement of preschool performance. The goals of the National Institute for Early Education Research are to effectively study prekindergarten education and to advocate for increased funding for said services.

Promising Practices Network on Children, Families, and Communities

The Promising Practices Network is operated by the RAND Corporation, a highly influential nonprofit think tank, and seeks to impart high-quality and evidence-based research on programs and practices that work to make a difference in the lives of children and families (Promising Practices Network). PPN reviews early childhood education programs in order to assess which programs have the most promise for effective outcomes for children and families. The organization also provides extensive research on a variety of issues pertaining to children and families and on service delivery for practitioners.

United Way of America

Comprising a large national network of almost 1,300 local organizations, United Way of America (http://www.liveunited.org) works to "advance the common good by focusing on education, income and health." The national organization seeks to produce long-term changes in these issues by examining the principal causes. As one of their primary focus areas, education takes on primary importance, and many local United Ways participate in campaigns to address early childhood education and development.

Zero to Three: National Center for Infants, Toddlers, and Families

Zero to Three (http://www.zerotothree.org) was established in 1977 as a national nonprofit organization focused on providing effective research, training, and support to early childhood education and development professionals, policymakers, and families. The organization's mission is "to promote the health and development of infants and toddlers." Zero to Three also provides technical assistance to states regarding the health and development of infants. Their primary focus areas are on training early education and development professionals, creating collaborative networks, influencing policy changes that positively affect young children and families, and increasing public awareness about the needs of this age group.

Pre-Birth Education

Community/Direct Service

In general, pre-birth (or prenatal) education focuses on the pregnant mother and parents. The majority of nonprofit work done in this arena centers around adequately educating mothers and fathers about how to care for their pregnancies and their newborn babies to prevent prematurity, birth defects, and infant mortality.

Parent Education and Resources

A number of organizations, including the March of Dimes and the American Pregnancy Association (http://www.americanpregnancy.org), provide educational resources for pregnant mothers and parents, which focus on helping women to have healthy pregnancies and positive birth outcomes. March of Dimes has a Pregnancy and Newborn Health Education Center, which provides a place for pregnant women to obtain free and confidential advice regarding pregnancy and newborn health. The American Pregnancy Association operates a national toll-free helpline to provide easy access to necessary information, primarily for expecting parents.

Nurse Family Partnership Programs

The Nurse-Family Partnership is a program through which nurses perform a number of home visits with low-income, first-time mothers. These visits begin during pregnancy and end when the child becomes 2 years old. The services provide help to teach pregnant mothers healthy behaviors and parenting skills to improve pregnancy outcomes and the health and development of children. The nurses also work with the mother to figure out plans for her life, including schooling, work, and the timing of future pregnancies (Isaacs, 2008a, p. 23). The Nurse-Family Partnership National Service Office (http://www.nursefamilypartnership.org) is a nonprofit organization that assists communities in effectively implementing this home-visiting program.

Random-assignment evaluations of the Nurse-Family Partnership program in three locations have demonstrated positive outcomes in a variety of areas for both mothers and children involved in the program. The outcomes for children have included improved achievement scores, better language skills, and reduced criminal activity. Outcomes for mothers include improved health during pregnancy, better birth outcomes, and reduced rates of child abuse and neglect (Isaacs, 2008a, pp. 23–24).

Research and Advocacy

March of Dimes has been particularly influential in researching and increasing public awareness about premature birth. Many important medical advances have come from March of Dimes researchers and funding, including the development of the PKU and biotinidase deficiency tests, which assist in the identification and prevention of some developmental disabilities. March of Dimes funding has also led to the first successful bone marrow transplant and in utero treatment to correct birth defects.

In addition to research, March of Dimes has made a significant impact on legislation to protect children and families. In 1996, March of Dimes volunteers played a significant role in helping to pass the Mothers' and Newborns' Health Protection Act, which served to increase the minimum hospital stay for mothers to 48 hours after delivery. In 1997, volunteers assisted in passing the State Children's Health Insurance Program (S-CHIP), which made health care available for up to 5 million children. In 2007, March of Dimes volunteers contributed to increased newborn screening throughout the states.

Infant and Toddler Education

Research has demonstrated that the quality of interactions with both people and their surroundings affects brain development and formation of neural pathways in infants and toddlers (Isaacs, 2008b, p. 103). While more attention has been paid to preschool and early childhood education, this research indicates that it is vital to devote both time and resources to this stage of development.

Community/Direct Service

The need for affordable education and child care services for all American children is great. The National Institute of Child Health and Human Development's 1997 Study of Early Child Care revealed that 72% of infants experienced care by someone other than their parents during their first year of life. The average age at which infants entered nonparental care was 3.31 months (Shonkoff & Phillips, 2000, pp. 300–301). According to a report by Action for Children, Chicago Metropolis 2020, and Illinois Facilities Fund (2005), titled *The Economic Impact of the Early Care and Education Industry in Illinois*, the cost of year-round full-time infant care in a child center is more than the annual tuition for an undergraduate resident at the University of Illinois. Based on the extensive research demonstrating the importance of the early years of life, there is a clear need for nonprofit organizations to provide high-quality and affordable child care and education services.

Early Head Start and Nonprofit Providers

The goal of Early Head Start is to provide essential child development services to disadvantaged pregnant women and families with children under the age of 3. Early Head Start focuses on health, cognitive, and language development for infants and toddlers in addition to socioemotional well-being and family development. A variety of organizations, including many nonprofits, offer Early Head Start services through center-based programming and home visits. A randomized assignment evaluation of Early Head Start found mostly small positive effects at ages 2 and 3 years on cognitive and school-related outcomes such as improved cognitive development and language skills, increased child engagement with parents, and improved parental outcomes (Isaacs, 2008a, pp. 14–15).

Research and Advocacy

Research conducted by nonprofit organizations has helped to demonstrate best practices for infant and toddler education. This research has also helped to influence advocacy on the part of infant and toddler education, with the goal of influencing policymakers and legislators to increase funding and support for such programs.

The Infant Health and Development Program

The Infant Health and Development Program (IHDP) is a comprehensive multisite intervention for low birth weight and premature infants funded by the March of Dimes Foundation, the National Institute of Child Health and Human development, the Pew Charitable Trusts, the Robert Wood Johnson Foundation, the Stanford Center for the Study of Families, Children, and Youth, and the U.S. Department of Health and Human Services (Promising Practices Network). It is clear that the impetus for this project came primarily from the nonprofit sector due to the high prevalence of nonprofit funders.

The purpose of the IHDP was to reduce the health and developmental issues that are commonly associated with low birth weight and prematurity. The IHDP was planned as a randomized clinical trial and studied free intervention services provided to study participants, including home visits, attendance at a child development center, group meetings for parents, and pediatric follow-up. Infants began the program discharge from the neonatal nursery and continued until the age of 36 months (see Promising Practices Network, http://www.promisingpractices.net).

In this study, 985 infants were analyzed, with one third receiving the intervention services and the remaining two thirds assigned to a control group. The children were assessed eight times between infancy and 36 months and have been studied through the age of 18. The study addressed outcomes such as cognitive development, behavior, school achievement, and health.

When the infants were studied at 24 months, researchers found significant, positive effects in IQ, vocabulary, receptive language, and visual-motor skills. The intervention seemed to have a differential effect on cognitive outcomes for children based on their birth weight, race, and quality of their home environment. According to the Promising Practices Network on Children, Families and Communities, the IHDP has demonstrated effect sizes for cognitive development and achievement that are considered "promising."

Starting Points and I Am Your Child

The Carnegie Corporation of New York published a report in 1994 called *Starting Points: Meeting the Needs of Our Youngest Children.* This report focused on the research on children ages 0 to 3 and concluded that, as a nation, we were silently neglecting the needs of this age group. This report received significant media coverage and helped to spur the legislation that created Early Head Start (Levine & Smith, 2001, p. 143).

Shortly after Early Head Start was enacted, political shifts led to increased state responsibility for social policy. The Carnegie Corporation responded by forming the Starting Points Initiative to encourage both understanding and program and policy changes in the arena of early childhood education and development. The Starting Points Initiative led to increased research focus, the formation of numerous partnerships with politicians and legislators, and collaboration with the Clinton administration to plan two White House conferences on the subject of early childhood development in 1997 (Levine & Smith, 2001, p. 144).

The Carnegie Corporation collaborated with more than a dozen other nonprofit and for-profit organizations to support *I Am Your Child*, a national public awareness campaign headed by filmmaker Rob Reiner and the Families and Work Institute, another nonprofit. The campaign distributed a variety of materials, including research reports, community planning resources, videotapes, and a CD-ROM to educate parents of young children about child development and education. *I Am Your Child* also partnered with *Newsweek* magazine to create a special edition titled *Your Child: Birth to Three*. State coalitions worked in conjunction with the national campaign to increase the impact (Levine & Smith, 2001, p. 144).

Preschool

Community/Direct Service

History of Preschools in America

Historically, nonprofit organizations have been heavily involved in the movement to provide preschool education. In the early 19th century, when it was in vogue to educate one's children at home, many mothers from more affluent backgrounds stayed at home to raise their children. However, poor women were strongly encouraged to use the services of the charity infant schools to educate their children. It was believed that the home environment these children encountered could be harmful to their social and intellectual development and that they would be better prepared by attending a charity school (Beatty, 1995, p. 21).

The growth of the American preschool movement was heavily influenced by the nonprofit sector. Societies to promote the formation of charity infant schools were prominent in Boston, New York, and Philadelphia. Mainly, the charity schools were meant to serve indigent children, while privileged families sent their children to private infant schools (Beatty, 1995, p. 21).

Contract Failure and Nonprofit Preschools

Nonprofit organizations continue to play a significant role in the provision of preschool education. There are both nonprofit and for-profit preschools in the United States, and a significant amount of research has been done on the similarities and differences between the two.

Based on the "contract failure" theory of Henry Hansmann, it seems likely that consumers of preschool services would choose nonprofit providers over for-profit providers (Cleveland & Krashinsky, 2005, p. 7). The contract failure theory states that nonprofit organizations have an advantage when consumers do not feel capable of adequately evaluating the quality of the service provided or when the primary recipient of the service is someone other than the individual paying for said service. This is the case with preschool education, in which the primary recipient is the payer's child. This is compounded by the fact that young children, the primary recipients of preschool education, cannot be entrusted to sufficiently assess the quality of the services they receive. A parent cannot expect 3- or 4-year-olds to be able to effectively speak to the depth and value of the education and environment to which they are exposed in their preschool classroom.

When these information asymmetries exist, Hansmann's contract failure theory hypothesizes that consumers will be more likely to choose nonprofit firms because they are expected to be trustworthy and to serve the public good. Numerous studies have indicated that nonprofit preschools provide a higher quality of service than do for-profit firms (Cleveland & Krashinsky, 2005, p. 12). A study done by the New Zealand Council for Educational Research demonstrated that nonprofit early education centers employed a high number of staff with a teaching qualification, paid their staff higher wages, offered better working conditions, had more parent involvement, and had higher ratings of process quality than for-profit centers (Mitchell, 2002, pp. 2–3).

Similar results have been found in studies from the United States. One such study demonstrated that the directors of nonprofit and for-profit centers had different priorities, with the nonprofit directors focusing on quality of services and the for-profit directors emphasizing costs and benefits. The directors made operating decisions based on these emphases.

The Montessori Schools

Undoubtedly, the most well-known preschools in the United States are Montessori schools. Maria Montessori founded her first school, the *Casa dei Bambini* or Children's House in the San Lorenzo district of Rome on January 6, 1907. She first visited the United States in 1913, the year Alexander Graham Bell and his wife started the Montessori Educational Association in Washington, D.C. Now, every Montessori school is independently owned and operated (North American Montessori Teachers' Association, 2010).

A number of nonprofit organizations are affiliated with the Montessori movement, including the American Montessori Society (http://www.amshq.org/society) and the Montessori Foundation (http://www.montessori.org). The purpose of these organizations is to oversee and provide a forum for Montessori education, helping to further the influence of the Montessori movement in American education.

Head Start and Nonprofit Preschools

Head Start is a federal program designed to serve disadvantaged 3- and 4-year-olds to provide them with educational and health services that will help to mitigate the negative effects of their upbringing (Isaacs, 2008b). Federal grants are directed to a variety of local agencies, including many nonprofit organizations, to provide community services to children and families. These services include preschool education, health care (addressing physical, dental, and mental health issues), nutrition services, and parental services.

Results of various studies on Head Start have demonstrated mostly modest outcomes from the programming. The quality of Head Start programs varies considerably depending on the agency delivering the services. However, a national random assignment evaluation found small to moderate positive effects on pre-reading, pre-writing, vocabulary, and literacy skills for children enrolled in Head Start. Even with these positive results, Head Start failed to live up to its promise, as the children enrolled did not catch up to their peers nationally in terms of school readiness skills (Isaacs, 2008a, p. 9).

Other studies have demonstrated less optimistic results. The largest review of research literature on Head Start, published by the U.S. Department of Health and Human Services, covered more than 200 studies and did not find any enduring academic advantage to Head Start participation (Coulson, 2009, p. 1).

Model Early Childhood Programs

Two of the most effective and thoroughly reviewed early childhood education programs were facilitated by nonprofit organizations. These programs, the Carolina Abecedarian Project and the High Scope/Perry Preschool Program, have demonstrated significantly positive results in longitudinal studies and have helped to establish the need for preschool education as well as the components of a high-quality preschool education.

The Carolina Abecedarian Project was a center-based program at the Frank Porter Graham Child Development Center at the University of North Carolina at Chapel Hill. The project began in 1972 with Dr. Craig Ramey as the principal investigator and served indigent children from 6 weeks through 5 years of age. The children were enrolled full-time and received highly individualized educational services and home visits designed to improve social, emotional, and cognitive development (O'Brien & Sanders, 1974, pp. 2–3).

The Perry Preschool Program began in the early 1960s in Ypsilanti, Michigan. David Weikart, the special education director in the Ypsilanti Public Schools, was frustrated with the district's inefficiency in dealing with individuals who struggled with school failure by retaining these individuals. Weikart started the preschool program to get to the root of the problem (Schweinhart, 2002, p. 1). The Perry Preschool Program served children ages 3 and 4 with part-day educational programming and weekly home visits (Barnett, 2006, p. 4). Longitudinal studies have followed the children served in the Perry Preschool Program through age 40, demonstrating positive results.

Museums and Libraries

Public libraries have a long history in America, as well as a significant place in the history of the nonprofit sector. Libraries currently provide a variety of educational and literacy programs for infants, toddlers, and young children, including story hours and other school readiness experiences. According to a study by the National Center for Education Statistics, 86% of public libraries surveyed provide educational group programs for children in preschool and kindergarten and 40% present programs for infants and toddlers, a significant increase from earlier studies (Herb & Willoughby-Herb, 2001, p. 1).

The Association of Children's Museums (ACM; http://www.childrensmuseums.org) is a nonprofit membership organization composed of 341 museum members representing 22 countries. About 98% of children's museums are nonprofit organizations, and 81% of ACM museums have an exhibit space that is dedicated to early-childhood education for infants and toddlers. Although most museums do not provide long-term educational programming for young children, more than 30 million children and families visited children's museums in 2007. This indicates that museums can play a sizable role in providing supplemental educational experiences for infants, toddlers, and young children.

Research and Advocacy

The nonprofit sector has been highly involved in conducting research on preschool programming. This research has served a variety of purposes: to study program characteristics, particularly of model programs, to determine what makes a preschool program effective; to study the long-term consequences of quality preschool education; and to study the economic impact of preschool education. The research conducted by nonprofit organizations has influenced the number of children receiving preschool education in the United States.

Nonprofit organizations, including the Brookings Institution, First Focus, National Association for the Education of Young Children, Pew Charitable Trusts, and the Annie E. Casey Foundation focus on conducting extensive research into early childhood education and are also heavily involved in advocacy, using research results to encourage legislators, policymakers, and local, state, and federal governments to increase funding for and attention to early childhood education and other programs that benefit children and families. Other nonprofit organizations involved in research and advocacy include colleges, universities, and think tanks.

Study of Program Characteristics

The Abecedarian Project and Perry Preschool Program have likely been the most researched and influential nonprofit preschool programs. The longitudinal studies discussed here have demonstrated considerable and long-lasting positive results. These programs are universally considered to be highly effective, and research on these and other preschool programs, both nonprofit and for-profit, have demonstrated particular characteristics of effective programs.

This research has focused on both structural and process quality. Structural quality includes indicators such as the ratio of staff members to children, teacher and staff qualifications, the number of children in a class, rates of staff turnover, and staff wages. Process quality is harder to quantify and focuses on the atmosphere and environment of the preschool classroom. Process quality is demonstrated in the relationships between caregivers and children and how the children interact with their surroundings (Huntsman & Tully, 2008, p. 1).

Long Term Consequences of Preschool Education

The Abecedarian Project and Perry Preschool Program have both been the subject of numerous longitudinal studies, with the Abecedarian participants studied through age 21 and the Perry Preschool Program participants studied through age 40. The results have demonstrated significant and long-term benefits from both programs. The Abecedarian Project demonstrated long-lasting improvements in IQ scores for program participants. Both programs resulted in positive educational outcomes including reduced need for special education, lower rates of grade retention, and higher rates of high school graduation (Barnett, 2006, p. 3). In addition, the longitudinal studies demonstrated that the programs resulted in positive long-term effects such as higher employment rates (for the Perry Preschool Program) and earnings, lower rates of criminal activity (among Perry Preschool Program participants), lower rates of teen parenthood, reduced dependence on welfare (Perry Preschool Program), and lower rates of marijuana use (Abecedarian) (Isaacs, 2008a, pp. 18–19).

Despite the overwhelmingly positive research results of these programs, it is difficult to extrapolate to a larger population, as the Abecedarian Program served only 111 children, and the Perry Preschool Program served only 123 children (Barnett, 2006, p. 4). These model programs provide positive examples of the types of preschool programming that provide long-term benefits to children, but it would be very difficult to offer the same depth and intensity of services to a much larger, national population.

Economic Impact of Preschool Education

The economic research done by nonprofit organizations such as the Center on Children and Families at the Brookings Institution and First Focus has centered on the benefit-cost ratios of preschool programs. The benefits are calculated by the savings to society that result from program effects such as lower grade retention, higher educational levels, higher earnings, lower crime rates, lower teen pregnancy rates, and less welfare dependence. The Abecedarian model has the highest total cost per participant at $36,929 for the multiyear services and demonstrates a rate of return of $3.23 to $3.71 per dollar invested in the program. The Perry Preschool Program is estimated to cost $16,264 per participant and returns between $5.15 and $17.10 per dollar invested, depending on the study (Barnett, 2006, p. 14; Isaacs, 2008a, p. 19).

Significant Nonprofit Advocacy Accomplishments in Preschool Education

Preschool programming has the benefit of broad political appeal because there is a high level of need among American families, and many studies have demonstrated the highly positive outcomes that can result, including the long-term economic benefits. In fact, the great majority of voters, 87% according to national surveys, believe that state governments should provide the funding for all children to attend preschool (Mead, 2004, p. 20).

Nonprofits have played a significant role in helping to create this broad public appeal and in convincing both state and federal governments to fund early childhood education programs. Some notable accomplishments of the National Association for the Education of Young Children include extensive involvement in the development and administration of the accreditation systems for associate, baccalaureate, and graduate degrees to teach and train early childhood educators and the development of a national voluntary accreditation system for early childhood education programs. These accreditation programs have improved the quality of education provided through preschool programs, established standards for accountability, and provided parents and caregivers with an objective rating of quality preschool programming.

The HighScope Perry Preschool Program established the Center for the Study of Public Policies for Young Children in 1979 (the name was later changed to the Voices for Children Project). Supported by the Carnegie Corporation, the center widely publicized the results of research conducted on the Perry Preschool Project through the use of press releases and a New York City press conference. This spurred the national news media to take notice and led to significant and long-lasting bipartisan support for an increase in Head Start funding, from $735 million in 1980 to $6.2 billion in 2001. The center was later involved in advocating for funding for Head Start during the Reagan administration, influencing the director of the federal Office of Management and Budget to designate Head Start as a “social safety net program,” thereby protecting it from decreases in government funding (Schweinhart, 2002, p. 4). In addition, David Weikart of the Perry Preschool Program has used the data on economic returns from preschool education to persuade state legislatures to increase funding for early childhood education programs serving at-risk preschoolers (Kendall, 1995, p. 7).

KIDS COUNT is a state-level and nationwide project that seeks to measure the status of American children.

These census data measure the well-being of children on multiple levels, including educational, social, economic, and physical well-being. The purpose of KIDS COUNT is to educate policymakers and American citizens about the status of children and to encourage and expand on national dialogue about children and families. "KIDS COUNT exists to measure child outcomes and contribute to public accountability for those outcomes, resulting in a model for data-driven advocacy for children, their families, and their communities" (Annie E. Casey Foundation, n.d.). KIDS COUNT reports have generated an extensive amount of media coverage and have encouraged both public and private initiatives to address the issues faced by children and families and enhance their lives.

Nonprofit leaders are also called to testify for state and federal legislatures regarding the issue of early childhood education. Regarded as experts in the field, these nonprofit leaders use applicable research results to attempt to convince the government to increase funding for early childhood education programs and to make children and families more of a priority. As Ron Haskins, senior fellow at the Brookings Institution and senior consultant at the Annie E. Casey Foundation, stated during his testimony for the House Committee of Education and Labor on January 23, 2008,

> There is good evidence from scientific research that preschool education can be an effective tool in our nation's long struggle to reduce the achievement gap between poor children and children from non poor families. Reducing the achievement gap holds great promise for reducing poverty in the long term and even for reducing inequality. Having spent many years studying social intervention programs, I think it is fair to say that there is no body of evidence on any social intervention that holds as much promise of producing as wide a range of positive effects as high quality preschool programs. (Haskins, 2008, p. 1)

Kindergarten

Community/Direct Service

The kindergarten movement began in the United States in the 1850s. From the beginning, kindergarten was viewed in a positive light as a supplementary education for children from all backgrounds and socioeconomic statuses. Prior to 1890, charities were heavily involved in providing kindergarten programs directly to children. Philanthropists often provided the funding to provide free, half-day kindergarten services to children of working-class parents, many of whom were immigrants (Berg, 2008). By 1900, most kindergarten programs were provided by public schools rather than by charities or other private institutions.

By the 1980s, American kindergartens were focused on providing children with academic preparation for elementary school. Between 82% and 95%, or about 4 million American children, attend kindergarten. About three quarters of those children go to public school kindergarten (Berg, 2008). This leaves a sizable minority attending other kindergarten options, including nonprofit institutions.

The Role of Colleges and Universities in Training Kindergartners

Historically, kindergarten teachers were known as kindergartners (Beatty, 1995). In the 1880s and 1890s, private women's liberal arts colleges and universities began to offer kindergarten training classes (Beatty, 1995). This acceptance of kindergarten into the academic world demonstrated the widespread societal recognition of the benefits and need for kindergarten education for children. The Laura Spelman Rockefeller Memorial, created by John D. Rockefeller, Senior, in honor of his deceased wife, funded nursery school and child development institutes at universities nationwide (Beatty, 2006, p. 4).

At Wellesley College, Arthur Norton developed the first training devoted entirely to kindergarten education. Norton became the chair of the Education Department of Wellesley in 1912 and contributed to the development of the Anne L. Page School in 1913. The school provided kindergarten education for young children and training in kindergarten methods for students at Wellesley College (Beatty, 1995, pp. 114–115).

Today, universities and colleges offer many teacher training programs. These nonprofit institutions are influential in educating the generations of teachers in the most current teaching methods. In this role, colleges and universities continue to shape the course of American preschool, elementary, and secondary education.

Research and Advocacy

Historically, a number of nonprofit organizations have been formed to perform research and advocate for kindergarten education. Members of the New York Free Kindergarten Association started the National Kindergarten Association (NKA) in 1909 as a political action group. The NKA sought to organize national kindergarten campaigns and to advocate for the inclusion of kindergarten programs in public schools. The goal was to provide kindergarten for all students between the ages of 4 and 6 years. In 1920, the NKA estimated that there were 4 million children in that age range who were not enrolled in kindergarten ("Planning to Extend," 1920).

The NKA played a significant role in the establishment of public kindergarten education in the United States, as well as in advocating for adequate education and training for kindergarten teachers (Beatty, 1995, p. 112). Bessie Locke, NKA's director, campaigned extensively through towns and states to involve important stakeholders, including businessmen, politicians, PTAs, and church groups, in the cause. Locke also created model statutes, lobbied state legislatures, and directed a Kindergarten Bureau within the U.S. Bureau of Education (Beatty, 2006, p. 4). The work took years, but the continued and intensive effort that

Locke and the NKA made to advocate for the integration of kindergartens into public schools paid off.

Future Directions

Given their historical involvement, it seems clear that nonprofit organizations will continue to play a significant role in early childhood education. A number of well-known and prominent organizations, including March of Dimes, the Brookings Institution, the Carnegie Corporation, and Pew Charitable Trusts, have chosen early childhood education as one of their primary focus areas. These and other organizations will continue to guide the development of effective and high-quality early childhood education programming, conduct essential research into the needs of this population and the effects of varied interventions, and advocate for increased state and federal support and funding.

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23

EDUCATION (K–COLLEGE)

BARBARA DILLBECK AND BETSY FLIKKEMA
Learning to Give

For over a decade, the Council of Michigan Foundations (CMF) has led a comprehensive effort to infuse the teaching of philanthropy content (private citizen action intended for the common good) into the core academic curriculum of the K–12 school systems nationwide. This new curriculum is called *Learning to Give*. The case statement for this project, as presented on the website http://learningtogive.org/about, provides a place to begin in discussing the role of nonprofit leadership and philanthropy with K through college education. The following is an excerpt from the website and the original case statement provided with permission from CMF.

> Each day, leaders from emerging democracies come to the United States with a relatively surprising question. They want to know how they can create a civil society sector in their countries. They ask for guidance on teaching democratic and philanthropic principles to their children and for systems to pass on the tradition of private citizens working for the com mon good. They come to the United States because they rec ognize that the civil society sector in America is fundamental to building and sustaining a secure democracy, supporting government, and making our heterogeneous society function.
>
> Their questions echo many of those posed by teachers and civic leaders in the United States: How do we engage children in civic life? How do we harness youthful idealism and com bat growing cynicism? How do we teach caring about others, particularly those less fortunate? What is missing from our courses in government, history, economics, sociology, psy chology, and philosophy that results in young adults lacking understanding or passion for the noble ideas of their society?
>
> In this country, history is taught without serious attention to the role of volunteers in building the first black colleges or the role of private donors in funding the Salk vaccine for polio. Psychology and sociology, frequently focused on behaviors outside the healthy and normal, often do not explore the motivations and the relationships involved in setting aside self interest for the benefit of the community. (Council of Michigan Foundations, 1997)

As one of the founding classroom teachers in the project wrote in comments evaluating the new curriculum:

> It is my belief that philanthropy is an important part of our soci ety. I also believe that there is a danger that the concept and knowledge of philanthropy will be forgotten if we, as educators, do not include these concepts in the curriculum. I think that social studies is the perfect forum to instill the knowledge of philanthropy and volunteerism in our young people. (C. Thomas Webb, Fulton Middle School, Fulton Schools, Middleton, Michigan [Program evaluation response])

The *Learning to Give* case statement goes on to describe how the transmission of these core traditions of our society has occurred without being taught in schools.

> We have relied in the past on churches, families, friends, and neighborhoods to teach children the value and significance of service and giving. We have assumed that our children know their heritage as citizens who do not need to be empowered by an outside agency but who are born empowered as their inher ent right of citizenship. It is sadly ironic that in the late 20th century, as emerging foreign democracies were seeking our assistance in establishing philanthropic traditions of their own, the traditional forces for teaching this ethic to children in the United States were eroding.
>
> The very skills and community cohesion necessary to off set forces of social disintegration, especially in an increas ingly diverse culture, are skills and experiences found in the civil society sector. Yet, an understanding of this sector remains a mystery to many American children. (Council of Michigan Foundations, 1997)

Helping Young People Understand Philanthropy

The definition of philanthropy used by *Learning to Give* in schools is "giving time, talent, and treasure, and taking action for the common good." People often mistakenly think that philanthropy is money given by old rich people. In contrast, the school definition of philanthropy represents a democratic ideal that anyone can be a philanthropist. Anyone can give time, talent, or treasure to promote the common good. With this definition, young people learn that they can be effective philanthropists who can make a real difference.

Philanthropy includes voluntary action and service to the needs of others with the intention of enhancing the "good" for individuals and communities. The value of a gift or service is unique to each person and situation. A $10 gift from a child's piggybank is a greater gift of philanthropy than $100 from a wealthy adult. Treasure may include a baseball card collection or someone's long hair that is donated for wigs for cancer patients. There is a more lasting impact when a child notices a need and uses his or her voice to address that need than when a youth fills mandatory hours in a project designed by a teacher or parent.

> Philanthropy comes from the civil society sector and arises out of need. Acts of philanthropy may promote human or ani mal welfare and fill a need where families, government, orga nizations, or the capitalist system fails. (Council of Michigan Foundations, 1997)

Fourth- and fifth-grade students from Grand Haven, Michigan, define philanthropy from their own experiences:

> Philanthropy is a very kind thing to do. What kind of philan thropy have you done? If you haven't done any . . . YOU SHOULD!

> Philanthropy is something you do for free without paying because that means you have a heart.

> I helped someone by shoveling their driveway so they would n't have to come out in the freezing cold. See, philanthropy makes you and the other person very happy.

Philanthropy is learned behavior that has a benefit for all. It can provide job skills or help build a resume, and students discover it can be done at any age with any amount of money and time and can be fun.

Other Key Terms

Another key term in discussing philanthropy with K through 12 students is the concept of *civic virtue*. Civic virtue is the idea of putting the common good above your individual interests. What does civic virtue look like? For a high school student, practicing civic virtue might mean volunteering at a local day care center with friends rather than going on an Internet networking site after school. It might also mean trying to change an attendance policy that is unpopular but will be better for the school. Or it might mean donating hard-earned money to a food bank rather than spending it on a new pair of shoes.

Many terms are used to describe the part of society where people put the common good before their own. These terms reflect various aspects of the process. The terms often used are *philanthropic* (from the Greek meaning love of man), *civil society* (reflecting that this is where citizen action occurs), *nonprofit* (describing the U.S. tax status of organizations doing work for others), *volunteer* (reflecting that fact that many people engaged in helping are not paid), *independent* (because the people and organizations work outside of business or government), or *char itable* (reflecting the Roman idea of taking care of others through direct assistance).

The idea of civil society describes a multitude of nonprofit organizations and the individual actions that are not a part of business or government. Actions by these organizations and individuals are usually the source of social change in the United States. Many of the "big ideas" for the benefit of all in society have been advocated by the organizations and individuals in the civil society sector.

Another important term used to describe activity and the importance of action in the nonprofit sector is called *social capital.* Generally speaking, social capital is the development of deep relationships, trust, and ties of affiliation that hold together communities. The social capital of a group helps it to weather disagreements while acting together to bring about change.

Teaching Philanthropy in the Classroom

Often taught through the social studies curriculum, civic education introduces students to core democratic values and examines what it means to be responsible citizens. To be civic minded is to be philanthropic.

Civil society topics are an important element in almost every social studies subject area. For instance, in economics, students should learn that 13% of the economy is represented by the activities of the civil society sector and that 20 billion volunteer hours contributed each year add value to the economy and promote our common community interests.

In civics, students should learn that the civil society sector is the source of new ideas that lead to social policy changes; civil society develops the skills that are needed for public discourse and democratic compromise. The relationships between social activism, a healthy democracy, and active engagement of citizens in government are critical to our country's success.

School-to-work programs should promote opportunities for employment in the civil society sector found by 12.5 million Americans, nearly 1 in 9.5 workers in the United States. Social studies courses prepare students to make decisions as responsible citizens. Responsible citizenship includes learning to give. Giving for the common good demonstrates the importance of and our commitment to a civil society. It is one of the basic ideas in a democracy.

Civil Society and Philanthropy in History

> Good citizenship is tantamount to success both in and out of school and we, as educators, cannot afford to leave its develop ment to chance. It is often said that history repeats itself. Perhaps by teaching the good and unselfish acts of mankind, we may steer youth into repeating the positive aspects of our his tory. (Pamela McIntosh, Woodward Elementary, Detroit Public Schools, Detroit, Michigan [Program evaluation response])

As far as we know, philanthropy, or giving to help others, has been present for all of human history. Philanthropy is often viewed as one thing that makes people uniquely human. There is satisfaction in helping others, and in some cultures it is an expected part of traditions. Families, villages, extended families, cultural groups, and even complete strangers give willingly of their money, services, and time.

In prehistoric times, family groups provide a basis for caring for one another through sacrifice, sharing, and living in community. Ancient Hebrews started a tax (a tithe) to help the poor of the community. The word *philanthropy* was first used in the fifth century BCE in the Greek play *Prometheus Bound*. Prometheus is punished by the gods for giving humans the gifts of fire and hope. Plato's Academy was a voluntary association for the public good and the first institution of higher learning. The first Roman emperor gave public aid to 200,000 citizens.

During the early settlement and colonization, the Native Americans played a key role in shaping the traditions of the settlers. The generosity of the Native Americans kept many of the colonists alive. Elements of our Constitution mirror ideas in the Constitution of the Iroquois Nations. Many of the colonies depended on volunteer organizations to meet their needs where in other nations the government supplied those needs. The Mayflower Compact forms the first social contract as a governing force for activities in the New World. As early as 1636, the leaders set up the groundwork for a public education system. Benjamin Franklin and friends organized the American Philosophical Society, which set up a free library, a voluntary fire department, and more.

The Revolutionary War was fully a volunteer effort. This set the precedent that citizens acting independent of government can change unfair practices by the ruling powers.

Between the 1780s and the 1830s, tens of thousands gained freedom through the Underground Railroad, which was a courageous group of black and white volunteers working to free slaves and move them north. The abolitionist movement, run by volunteers, led to the Emancipation Proclamation in 1863.

After the Civil War, under the leadership of Clara Barton, the Red Cross became the largest disaster relief organization in America. Also, the abolitionists inspired the women's rights movement in America. In the late 1800s, women began to organize and speak up against injustice.

At the end of the 19th century, Andrew Carnegie and John D. Rockefeller led the way for large-scale philanthropy and benevolent foundations. This led to the establishment of other foundations in the early 1900s, such as the W. K. Kellogg Foundation and the Ford Foundation. In 1917, the US allowed an income-tax deduction for charitable giving. This led many people to make charitable donations in order to receive the tax benefits.

During the Depression, when many nonprofits went bankrupt, President Roosevelt created jobs and relief programs through the New Deal, a form of government philanthropy. This government effort to deal with these enormous needs changed the way people think about the role of government in solving social problems. Thus, it changed how philanthropy and government worked together.

In the 1960s Lyndon B. Johnson launched the Great Society, which included aid for education, health care, and beautification.

As President Barack Obama took office in 2009 in a time of imminent economic crisis, it was apparent that the government needed to step in again with an emphasis on philanthropy and community service. Obama increased funds for existing youth programs like AmeriCorps and encouraged all Americans to pick up the responsibility where government could not or would not address all the needs. Nonprofit organizations have been the seedbed of major social movements and issues of justice in our history, including abolition of slavery, concern for exploited children, women's suffrage, humane treatment of animals, care for the mentally ill, civil rights, and environmental issues.

Uniquely American Tradition

America's constitutional democracy sets up a unique environment that promotes philanthropy. John W. Gardner (1912–2002) was Lyndon B. Johnson's secretary of health, education, and welfare and played a major role in civil rights enforcement and education reform; he was instrumental in creating Medicare and establishing the public television network. Dr. Gardner, in a 1995 interview, tells a story about why our Constitution drives our unique heritage of civil society.

> When Governor Morris, one of the signers of the Constitution, one of the framers, was asked to prepare a clean copy of the proceedings, he wrote the preamble and he sat down and wrote these words: "We the People of the United States." Quite sur prising to many people. Some delegates didn't like it. Patrick Henry objected. He said what it should say is: "We the assem bled delegates of Massachusetts Bay Colony, Virginia, New Jersey, etc." But most people were thrilled, thrilled at the idea that the new nation would base its legitimacy on the people.

> In Europe, the phrase just ran like wildfire through informed circles. And many Europeans, weary of monarchs, were not only thrilled but astonished that a new nation would be so bold as to find its legitimacy in that phrase.
>
> Now, unfortunately, a lot of Americans have forgotten what the phrase means. The phrase was not "We, the government," or "We, the powerful," or "We, the experts"; just "We, the People." Us, all of us. And if we forget that, which many have, there can be dark days ahead. And I want you to call to mind that in the 1996 presidential election, fewer than 50 percent of the eligible voters voted. Now we've got to turn that around; we simply have to turn that around.

Although giving in America remains high compared to other countries, it decreased gradually during the late 20th century among members of both faith-based and secular organizations. Volunteer service by young Americans (18 to 25 years of age) is strong. Young people are more likely to volunteer, but they avoid government and political issues to a greater degree than older Americans. More than 60% of American 12- to 17-year-olds reported that they volunteered for community service during 1999. Yet, they tended to be uninterested in politics, government, and civic affairs.

At the dawn of the 21st century, civic leaders expressed great concern about civic and political apathy in the United States, especially among young Americans. A report of the National Commission on Civic Renewal in their report "A Nation of Spectators" (1998), warned that the United States risks moving from a nation of people to act to a nation of people who watch. Others have agreed that the civic condition of the United States is weaker than it was and needs to be improved. Participation of citizens in their civil society and government has steadily declined.

Robert D. Putnam's (2000) book, *Bowling Alone: The Collapse and Revival of American Community*, makes a convincing case about the decline of civic and political participation in the United States. Studying the loss of community activity of Americans that he calls social capital, Putnam's book has been a popular wake up call to the nation.

Historical Role of the Nonprofit Sector

To maintain the American tradition of the civil society, teachers must directly teach how to create and maintain a civil society. They teach that nonprofits are an essential element of democracy, serving as a vehicle through which individuals organize and speak together to achieve a common mission. And nonprofits ensure an informed public policy debate in our democratic process. Every movement for social change in America, every effort to protect the rights of a segment of society, has had its roots in the nonprofit sector.

Safeguarding Democracy

The nonprofit sector also provides a voice for those who would otherwise be voiceless. It strives to influence public policy on behalf of portions of the population that would have no influence without it. Nonprofits often become the champions of democracy in a society where the bureaucracy might (and occasionally does) become a steamroller of the powerful flattening the powerless. Nonprofit organizations such as Marian Wright Edelman's Children's Defense Fund and the American Association of People with Disabilities ensure that these softer voices are also heard.

Nonprofits work ceaselessly to ensure that no one sector (e.g., business or government), because of money or power or social standing, gets more of a place at the table than any other. The American Civil Liberties Union*,* for example, which strives to protect the letter of the Constitution in all areas of American life, is just one of many advocacy groups that have risen out of the need to see that all citizens are heard and their rights protected.

Democracy in America also receives bottom-up (grassroots) support from community nongovernmental organizations acting for the public good. Civil society organizations are public guardians through which citizens take responsibility for their rights and hold public officials responsible. Through participation in organizational activities, members also acquire the knowledge, skills, and virtues that keep philanthropy and democracy going.

Enriching Lives

In addition to providing services and strengthening democracy, nonprofit organizations enrich people's lives. Nonprofit voluntary hospitals and medical schools save lives and improve the quality of life through medical research and educating health care professionals. Nonprofit health advocacy groups have worked to increase access to health care and to improve the quality of health services for rich and poor alike. The American Red Cross, which has aided millions across the world in times of disaster and tragedy, grew out of the valiant efforts of dedicated volunteers who worked tirelessly.

Our lives are enhanced and made safer by the selflessness of such volunteers as firefighters, block parents, Neighborhood Watch groups, and clean-up committees. Imagine communities without orchestras, choirs, theaters, bands, libraries, and museums—most of which are maintained by donations of time and money from individuals and groups who believe that the arts should be accessible and affordable to all.

Teaching Youth to Care

In the second half of the 20th century, each generation has learned about philanthropy and private voluntary citizen action by watching parents and other adults participate in such activities. Young people who engage in group activities through their houses of worship, schools, or youth groups are more likely to engage in volunteer activities. And young people who learned to give and volunteer from their parents (or a caring adult such as their teacher) are more likely to continue such practices as adults. When students give back to the community by volunteering and reflecting on what they learn from their experience, it becomes a grassroots citizen-building experience in the best sense.

A Multifaceted Sector

The role of the nonprofit sector in a civil society is multifaceted—protector of rights, enricher of lives, advocate for the voiceless, nurturer of youth, guardian of the future, watchdog for the environment, and haven for the destitute. If government had to provide all of the services that the nonprofit sector provides, it would be immensely more costly to our communities. In addition to revenues from contributions, fees, and services, nonprofits depend on the contributed labor of millions of volunteers. Such nonprofit efforts have resulted in remarkable accomplishments on behalf of Americans and the voiceless around the world.

Civil Society and Education

> We have found that when students are involved in [philan thropic] projects, we see improved attendance and behav ior. We also see that this philanthropy philosophy helps us talk to students about behavior, respect, caring, and "doing the right thing" across the school day and the school year. It's a hook, a language we can use to "hang our hat" on. (Deb Juriga, Principal at Wick Elementary, Romulus Community Schools, Romulus, Michigan [Program evalu ation response])

Public education itself is an important part of democracy and civil society. For a civil society to perpetuate itself, it must educate its citizens in the principles of citizenship. The founders of America made public education a priority, and educators understand the central responsibility of schools to teach the next generation about how to act as virtuous citizens. Schools must teach students to balance personal needs with the needs of the common good and to recognize when sacrifice is necessary. Philanthropy education is an important part of perpetuating the civic ideal.

Schools act as mini-societies, and students are responsible citizens of a small community with a social contract. This is an opportunity for educators to teach the lessons of community that build understanding of the importance of a civil society. Students in school communities learn to respect diverse interests and abilities and value them as important contributions to a more complete community. They also learn about the social contract, which depends on honoring each other and sometimes sacrificing personal wants for the sake of the whole. Students learn from each other in a classroom community, and this increases respect and trust, which help hold the community together. When students learn the lessons of community and civil society on a small scale, they bring this understanding to the larger community.

In addition to the social contract and civil society, students learn about their history. They learn about the "long road that humans have traveled to get where they are now. All the glorious victories and all the dreadful defeats and the grandeur and the misery that is the human story" (Gardner, 1995). They will come

> [to] understand that history has a lot of chapters and they're going to have to write the next chapter. And it matters deeply how they do it. Not to carelessly throw away freedoms that their forbearers won in hardship and suffering; not to fail in the trust that we've placed in them to write that next chapter. . . . And if they understand that they will find the nonprofit sector a very fruitful way to pursue some of those goals. (Private interview with John Gardner, 1995; transcript is available on the Learning to Give website, LearningToGive.org)

How Children Learn to Give

Children learn to give first from their parents through modeling of a moral tradition. The more that significant adults (parents, caregivers, grandparents, and other role models) teach first lessons about love, social interactions, and generosity, the more likely students are to learn the lessons of giving and serving. Then, as they enter school, students learn that society of the bigger world is still held together by respect, character, and social agreements. In addition to acting as civically responsible role models, teachers introduce young people to the lessons of giving and civil society at developmentally appropriate stages through deliberate teaching and experience-based methods.

A widely accepted model of human development is *Maslow's Hierarchy of Needs* (The Institute for Management Excellence, 2009). Maslow outlines the five basic levels of needs through which every human progresses. For example, our needs of survival must be met before we feel safe, and it is difficult to feel love and belonging if we don't feel safe. When engaging students in acts of giving and service, teachers pay attention to these levels to increase student empowerment. Younger students can understand providing food and clothing for homeless people before they recognize the value of spending time with older people at a nursing home. Maslow's levels of need and growth in philanthropic behavior can be identified using the pyramid model:

- Survival (providing food for homeless)
- Safety (helping someone at a nursing home)

- Love and belonging (scouting group)
- Esteem (awards for giving)
- Self actualization (selfless giving to unknown others and the arts)

A second theory of development for humans is Erikson's stages of development. Erikson's ideas also relate to growth in philanthropic understanding. In each developmental stage (infant, toddler, adolescent, etc.), the individual must work through a developmental issue, such as trust, love, or independence, to move on to the next stage. Each developmental stage opens up new opportunities for growth in philanthropic behaviors as well. Infants develop trust, toddlers develop the will to meet individual needs, preschoolers develop courage to take initiative, school-age children develop feelings as competent community members, teens develop a sense of being a good person, and young adults develop love. Teachers can adapt service projects and civil society lessons to help build experiences with each of these sequential philanthropic indicators. The lessons on philanthropy and expectations of students' appropriate behavior in the classroom community are linked to their age, maturity, and how their psychological needs have been met. Effective philanthropy education stresses learning by doing. Knowledge, skills, and attitudes about the connections of philanthropy, civil society, and democracy in America combine knowledge with experience of civic engagement.

Several organizations are dedicated to the promotion of civic education. Three popular resources include the Center for Civic Education, CIVNET, and The LEAGUE Curriculum by *Learning to Give.* Each develops materials for educators and practitioners to use in classroom settings for the purpose of teaching civics education.

Instruction at all ages is a mixture of theory (character education, history of philanthropy, and why it is our obligation to continue) and real experiences in giving and serving. The earlier teacher-directed and positive experiences set the groundwork for young people to continue to serve and become leaders in later projects. Philanthropy education educates, equips, and empowers young people to make a difference in the world.

Benefits of Service Learning

Service learning is a research-based, best-practice teaching strategy in which classroom learning is deepened through service to others. As described by the Learn and Serve America's National Service Learning Clearinghouse (http://www.servicelearning.org), "service-learning is a teaching and learning strategy that integrates meaningful community service with instruction and reflection to enrich the learning experience, teach civic responsibility, and strengthen communities."

Whether it takes place on their school campus, at a local food bank, or in a distant rainforest, service learning is an experiential teaching strategy that empowers children to make a difference in their communities. When quality service learning becomes part of a school culture, repeated in a variety of classes with ongoing monitoring and reflection, results include lifelong lessons for students, improved school climate, and a stronger society for us all.

Research identifies several benefits to students who engage in academic service-learning. These benefits fall into the categories of personal growth, career development, social development, and cognitive (academic) development (Caskey et al., 1995). Students who apply classroom learning to real sharing and giving for the sake of another are found to have increased self-esteem and confidence. They feel more personal responsibility and an increased sense of personal efficacy, or effectiveness. A variety of quality service experiences that engage students in the community help students explore career interests and increase understanding of the world of work. They learn specific job skills and gain greater confidence in career choices. As students work with classmates and partners in the community from diverse backgrounds and with diverse strengths and talents, they improve their interpersonal and teamwork skills. Repeated experiences and lessons increase empathy and students' global community view. Students increase their sense of social competency. Research also indicates that students engaged in service learning improve their grades and skills in language arts, math, science, social studies, and critical thinking. They improve language and communication skills and are more likely to graduate. Service learning also teaches students that service is a positive learning experience.

Teachers report that the experience-based methodology and character development bring many benefits to the classroom environment. They have increased knowledge of students' abilities as classroom learning is applied to real-world applications. The real-world situations give relevance to academic knowledge. Teachers like their role shift from giver of knowledge to facilitator of knowledge when students take on more responsibility. At-risk behavior and discipline issues often decrease as all students become engaged. The school's visibility and respect increase as students connect to community needs and form partnerships. Research also shows service learning increases student civic responsibility and academic achievement.

Communities also benefit from service learning because schools get directly involved in addressing real community needs. This adds to the economy and engages more hands in working for renewal. Students provide free assistance that uses their youthful enthusiasm and creativity. When the community values their youth as a resource, a stronger sense of cohesion develops. The structured process of service learning involves student decision making in preparation for and implementation of meaningful experiences; provides time for reflection before, during, and after the action; and requires communication with respect that seeks to understand and value the diverse backgrounds and perspectives of those offering and receiving service. Four stages of service-learning provide this structure (Billig, 2008).

Preparation

With guidance from their teacher, students

- explore their community and identify a need;
- analyze the underlying problem and use teamwork along with skills and knowledge to make decisions;
- collaborate with community partners and identify and analyze different points of view to gain understanding of multiple perspectives; and
- develop a plan that encourages responsibility and defines realistic parameters for implementation.

Action

Through direct service, indirect service, research, or advocacy, students take action that

- has meaningful outcomes valued by those being served;
- addresses issues that are personally relevant to the students;
- uses previously learned and newly acquired academic skills and knowledge; and
- offers unique learning experiences and a safe environment to learn, to make mistakes, and to succeed.

Reflection and Celebration

The teacher (or student captain) guides the reflection process using various modalities, such as role-play, discussion, art, and journal writing. Participating students

- reflect before, during, and after the service experience;
- think deeply about issues, attitudes, and connections;
- describe what happened and examine the difference it made;
- discuss thoughts and feelings and place experience in a larger context;
- consider project improvements;
- generate ideas and identify questions; and
- receive feedback.

The celebration is an important part of any successful service learning project, both for the students and the partners involved. Celebrations may include certificates, parties, ceremonies, and thank you notes.

Demonstration

Students demonstrate skills, insights, and outcomes to an outside group. Demonstrations may include

- reporting to peers, faculty, parents, and/or community members;
- writing articles or letters to local newspapers regarding issues of public concern;
- creating a publication or website that helps others to learn from the students' experiences; and
- creating presentations, performances, or visual art forms to communicate the goals and outcomes of the service learning experience.

When service learning adheres to quality standards, it has the potential to make real and dramatic change in the lives of youth and in the community and world. In 2008, the *Growing to Greatness* study by the National Youth Leadership Council formulated eight K–12 service learning standards for quality practice. These eight standards describe the attributes of quality service learning in terms that are measurable and actionable. When service learning incorporates these, schools see maximum benefit from their experience. The eight standards include youth voice, diversity, reflection, progress monitoring, duration and intensity, link to curriculum, partnerships, and meaningful service.

In a quality service learning environment, students work together for the whole year and gain continuity from year to year (duration and intensity). Service learning begins with students identifying and assessing the needs of their communities and envisioning a better tomorrow (youth voice). Through reflection, problem solving, and application of academic skills, students determine an appropriate action to meet an important need or take social action (reflection, link to curriculum).

The teacher facilitates collaborative partnerships with community or world nonprofit agencies/charitable organizations (partnerships). With trusted adults and in a safe environment, students negotiate and problem-solve with people of diverse backgrounds and points of view to establish the specific project. Through this process, students recognize diverse backgrounds and perspectives as strengths and overcome stereotypes. As students' experience and perspectives are broadened, they strengthen their ability to live and work in a global community (diversity).

Important classroom goals and lessons gain relevance to the students as they are brought to the real-world playing field (link to curriculum). The academic lessons explore concepts of democracy, civil society, citizenship, community, poverty, homelessness, justice, kindness, and environmental stewardship, while empowering students to investigate and reflect on their personal motivation, strengths, and interests in contributing to the common good (meaningful service, reflection).

Reflection is key to ensuring a quality service learning experience for students. Reflection helps students evaluate, improve, and move forward in their understanding of and commitment to being a global citizen. Reflections should use a variety of learning approaches and take place before the event to envision a better tomorrow and during the planning and implementation of the project to remind students of the focus of the project. The postservice reflections challenge students, through speech, writing, art, or a physical activity, to find the common good, the motivation, the impact, and the personal growth that takes their learning to the next level (reflection).

Acknowledging and celebrating the students' achievements is an important part of creating a lasting experience. Throughout the project, participants collect data and show specific progress and growth in skills and service goals. Then students are recognized for their individual and team growth and contributions. Recognition may take place at school assemblies and in local newspapers and other media. This helps students and schools celebrate and receive recognition for their impact on the community and world (progress monitoring).

What Motivates Students to Lifelong Ethic of Service?

Whether it is through classroom or small-group activities, students fully engage in meaningful service learning when three factors are present—they are *using their personal talents and treasures* as they contribute meaningfully of their *giving passion* and work *along with their peers*, or people they care about. Repeated, ongoing, and meaningful service projects engage a student for lifelong ethic and habit of service.

As teachers, parents, and leaders provide a variety of experiences in diverse settings and serving diverse needs, students grow to understand their talents and giving passions. In a religious group, for example, a student may serve food to urban poor, help an overworked farmer bring in a harvest, or provide recreation activities for local children. At school, they may collect blankets and food for local organizations or donate spare change for children across the world to attend school. Through varied exposure, students find their giving passion, singling out activities that bring them the joy of giving. They begin to recognize that their contribution matters. Students are empowered when they recognize that their personal talents are valuable to others. A student may find she is good at organizing sports; he's a good leader or can tutor younger children after school; another student enjoys talking to older adults. And spending time with people you like is a great motivator that increases enjoyment. Putting these three elements together—talent, passion, and good company—in repeated experiences motivates students to seek out further opportunities for giving back to their community. Students consistently feel that as they give, they get so much more in return. This builds a

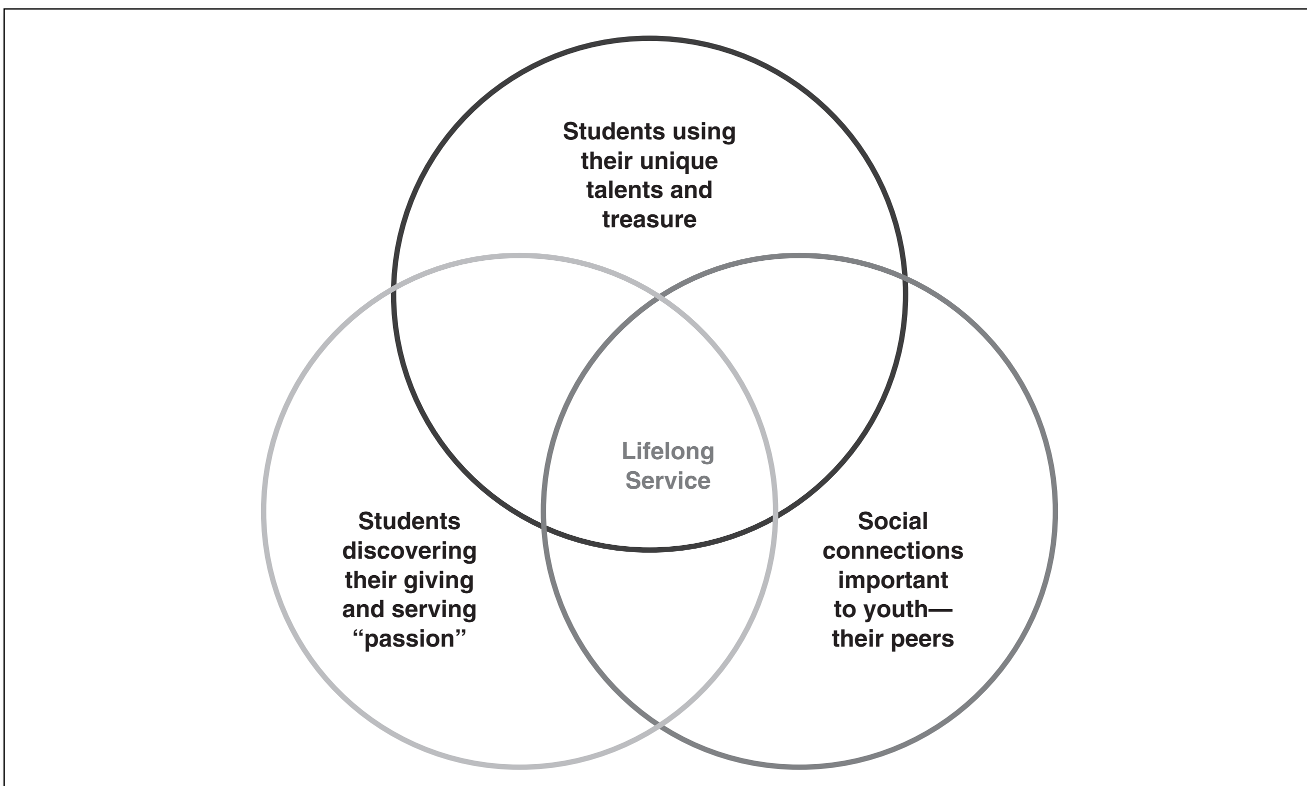

Figure 23.1 Three Elements of Lifelong Service: A Combination of Motivations Leads to Personal Commitment to Service

SOURCE: TheLeague.org.

foundation that benefits all of the community as students start on the path to lifelong service and giving.

Summary

Civic education that stresses philanthropy is key to a strong democracy in the United States. If the United States is to have a healthy constitutional democracy in the 21st century, then young people must learn how to grow their philanthropy muscles and discover their giving passion in civil society. Students must learn what philanthropy and civil society are, why they are important in a democracy, and how they depend on civic participation by citizens. Furthermore, they need to increase their knowledge and skills by working successfully with others and volunteering to improve society. Finally, students in schools must develop civic attitudes favoring philanthropy in order to maintain and improve democracy.

Education about philanthropy in civil society should not end with a young person's formal education. If democracy is to be strengthened, then adults must also participate in learning about the connections between philanthropy, civil society, and democracy. Adult education for democracy is most often experienced through participation in the voluntary associations of civil society, such as labor unions, professional associations, community service clubs, and faith-based organizations.

Alexis de Tocqueville noted the importance of formal and informal education of Americans for responsible citizenship in democracy. He identified civic morality, or commitment to do what is "right and just," as the most important characteristic to be learned by citizens. Tocqueville stressed that a good constitution, good institutions of government, and good laws are necessary. However, they are not enough for a healthy democracy. Tocqueville concluded that strong moral qualities or "habits of the heart" were essential for citizens to practice philanthropy. Let us, then, resolve to revitalize and renew democratic citizenship in America through lifelong civic education that stresses the morality of public action for the common good. Public action for the common good, Tocqueville's "habits of the heart," is the solid foundation for philanthropy in a free and open society that will nourish democracy and freedom in the United States.

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24

Environment

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The environmental condition of our planet is in peril. It is facing unprecedented stress from the actions of humans, including (a) warming temperatures and rising sea levels associated with global climate change; (b) disruption of ecological food webs because of the introduction of invasive species; (c) increasing scarcity of fresh water because of inappropriate resource management; and (d) loss of natural habitat and biodiversity related to changing land use. Solutions to these issues will require new and improved technology, innovative policies, committed political will, increased funding, and a multidisciplinary approach to problem solving.

Ultimately, we need a suite of disciplines working in collaboration to solve complex environmental problems. Historically, most of these disciplines operated independently of one another. In the future, technical disciplines such as ecology, engineering, geology, and hydrology will have to collaborate to address, for example, water scarcity issues. In turn, the natural and physical scientists will need to work with social scientists, economists, and lawyers to effect change. Indeed, we have seen some of this occurring through the emerging discipline of sustainability. Often defined as meeting the needs of the current generation without compromising the opportunities of future generations to meet their needs (World Commission on Environment and Development, 1987), sustainability in its truest form addresses not just the environment, but also economic and social conditions (Holdren, 2008). All three of these sectors are essential for human and global well-being; sustainability is often compared to a three-legged stool—remove one leg, or lengthen one at the expense of the other, and the stool is no longer viable.

Although technical solutions already exist for many environmental problems, their implementation is often precluded by an imbalance among the three sustainability sectors. For example, a suite of proven technologies and best management practices can reduce water quality impairments associated with storm water runoff. However, society has not, in general, implemented these solutions. The reasons are varied: (a) the economic cost of implementation may be viewed as too high relative to the environmental or human health risk associated with impaired water quality; (b) individuals may not believe the problem is that significant; or (c) society may simply place greater value on getting storm water off our streets and yards and into our storm drains than on the possible environmental consequences associated with this runoff.

Because the implementation of solutions to our environmental problems requires an understanding of and ability to effectively operate within our social, economic, and political systems, we need people and organizations that are adept at developing and implementing policy, building relationships, and raising funds. Nonprofit organizations are particularly well-versed in these skills.

Nonprofit organizations have a long history in the environmental movement (Bosso, 2005), but their roles are varied, and they often face unique challenges. A 1993 study published in the *Chronicle of Philanthropy* showed not one environmental organization listed in the top 20 of "best liked" or "most credible" nonprofit organizations (Hemphill, 1996). Perhaps even more revealing is that the environmental sector

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is excluded in the recent nonprofit sector research handbook by Powell and Steinberg (2006). Yet, it is clear that environmental organizations have the ability to influence policy; by the mid-1990s, some of the major environmental organizations had memberships of more than a million individuals and budgets in the $25 to $40 million range (Jordan & Maloney, 1997). In addition, in a study comparing traits of organizational leaders, those leading environmental organizations were more open to change than other types (Egri & Herman, 2000); presumably, the longer term, complex, multidisciplinary, and emotion-charged nature of environmental problems requires a more malleable type of leader than other types of organizations.

This chapter is not intended to be a comprehensive treatment of environmental nonprofit organizations (ENOs); both Shaiko (1999) and Bosso (2005) have written books to that effect. Rather, the chapter focuses on arbitrarily chosen examples within three different types of ENOs: environmental organizations, philanthropic foundations, and higher education. The goal of the chapter is to review the diversity and history of nonprofit organizations that address environmental issues. Emphasis is placed on how these organizations have changed over time, their different missions and strategies, the roles they have played and continue to play in the environmental movement and society in general, and the different ways that individuals can become involved, which varies depending on the type of organization.

A Brief Review of Environmental Nonprofit Organizations

The growth and development of the environmental movement is unparalleled within the public interest, nonprofit sector (Shaiko, 1999). In the early 1960s, about 150,000 citizens were involved in the U.S. environmental movement, and the collective wealth of the existing environmental groups was less than $20 million annually; in only 40 years, this sector had grown to more than 8 million individuals, who contributed more than $750 million per year to environmental causes (Shaiko, 1999).

George Perkins Marsh is often credited with starting the environmental movement in the United States. His speech to the Agricultural Society of Rutland County (Vermont) addressed the problem of deforestation; published in 1847, the speech was the basis for his book (Marsh, 1864). In truth, Marsh's activities are better described as starting the *conservation* movement in the United States. Most of the organized efforts in the 19th century and early to mid-20th century were focused on conservation of U.S. natural resources. Examples of these early environmental nonprofit organizations include the Appalachian Mountain Club in 1876, the National Audubon Society in 1905 (although the first Audubon Society club formed in 1886), and the Sierra Club (1892).

The second distinct phase of ENO growth included organizations founded by sportsmen, with the goal of preserving natural areas for hunting, fishing, and other recreational purposes, such as the Izaak Walton League (1922) and the National Wildlife Federation (1936). Two other well-known ENOs that formed shortly thereafter, but with different missions, were the World Wildlife Fund (1948) and The Nature Conservancy (1951).

By the 1960s, a growing awareness had permeated the psyche of the country. Increased industrialization and its attendant pollution helped catalyze a new environmental movement, and many new ENOs emerged in this period, broadly coinciding with the first Earth Day in 1970. A few of these ENOs include the Environmental Defense Fund (1967), the Natural Resources Defense Council (1970), Environmental Action (1970), League of Conservation Voters (1970), Clean Water Action (1971), and Greenpeace USA (1971). These new ENOs had a stronger mission of advocacy and, with a growing willingness of the federal judiciary to allow environmental claims to be brought to court, were not afraid to use litigation when deemed appropriate (Bosso, 2005). There was a growing appreciation of the need for professional staffing, marketing, and fundraising to achieve their missions, and both old and new ENOs began to adopt more professional organizational structures (Shaiko, 1999). Finally, the more radical environmental groups were formed in the latter part of the 20th century, including Earth First! (1980).

People not familiar with the environmental movement may be surprised at the amount of diversity of nonprofit groups in this sector. This diversity is expressed in their missions, sizes, ages, financial holdings, and organizational structures. Nonetheless, there are similarities among ENOs, especially those operating at the national level, and they are not always flattering. For example, charges against ENOs, not uncommon in the 1990s, include too strong a focus on fundraising, alleged politicization of scientific data, tension with local activists, and overpaid executives (Bosso, 2005). Executive leadership is a particularly thorny problem for ENOs; these relatively large organizations require a set of skills that include financial, communication, technological, and political aptitude. However, the pool of candidates with these skills is relatively small, especially if the ENOs want someone with a strong environmental ethos. As a consequence, there has been an increasing trend toward hiring leaders from outside not only their own organizations but the environmental community altogether, with many drawn from the general nonprofit sector, government service, the legal community, or the private sector (Shaiko, 1999). Some have seen this as a shortcoming, arguing that to hire leaders from outside the environmental culture is an indicator that the environmental community is not nurturing and developing its own leadership (Borrelli, 1988). Perhaps surprisingly, given the progressive nature of most ENOs, the demographics of recent ENO executive leadership show limited diversity, with a strong bias to white males. Between 1980 and 1997, a selected sample of 10 ENOs had a total of 37 leaders (indicating rapid turnover in executive leadership); of those 37, only 8 (22%) were female (Shaiko, 1999).

Environmental Nonprofit Organizations: Case Studies

Environmental organizations, philanthropic foundations, and institutions of higher education all operate in the environmental world, but they have different missions and structures, and they present different opportunities for involvement. In many respects, the environmental organizations are the face of the environmental movement, but foundations and higher education play critical roles in helping support them, in terms of both funding and volunteers. The sheer diversity of ENOs is staggering, and it is clear that environmental nonprofit organizations are not created equal.

Environmental Organizations

Environmental organizations come in all shapes and sizes. Bosso (2005), building on the earlier work of McCloskey (1992), created a classification scheme for environmental organizations. One axis portrays an ideological spectrum, ranging from the radical organizations to the more pragmatic groups, which are accommodating to big business and political compromise. The other axis reflects the size and breadth of each organization, ranging from broad spectrum to very narrow niche players (Bosso, 2005). Although this chapter focuses primarily on three of the larger, better-known environmental organizations, it also recognizes the important role played by smaller, niche organizations.

Sierra Club
(http://www.sierraclub.org)

According to its website, the mission of the Sierra Club is

> to explore, enjoy, and protect the wild places of the earth; to practice and promote the responsible use of the earth's ecosystems and resources; to educate and enlist humanity to protect and restore the quality of the natural and human environment; and to use all lawful means to carry out these objectives.

Self-described as the "oldest, largest, and most influential grassroots environmental organization in the United States," the Sierra Club was founded in 1892 with the original goal to protect Yosemite National Park. Today, it boasts 1.3 million members.

The Sierra Club's founder and first president was John Muir, an iconic figure in the environmental movement, who is often thought of as the father of the country's national parks. The former executive director of the Sierra Club, Carl Pope, led this ENO from 1992 until January 2010. He was succeeded by the new executive director, Michael Brune, and continues on as executive chairman of the Sierra Club. Pope is a bit of an anomaly in the world of ENOs, given both his long tenure as executive director and length of service (30 years) within one organization.

The Sierra Club is organizationally unique among large ENOs in that its membership is very involved in the decision-making process; this contrasts markedly with the National Wildlife Federation, another large ENO, where the sole connection of most of its members to the federation is via magazine subscription (Shaiko, 1999). In contrast, the grassroots structure of the Sierra Club allows its entire membership to vote on a national board of directors. Below the national level, there are more than 50 chapters (state or regional levels), each with an elected executive committee, and one tier below that, at the local level, are more than 300 groups. The sheer size of this bureaucracy has resulted in criticism that the Sierra Club has been co-opted by Washington, D.C., insiders and is no longer the environmental organization presenting bold, new initiatives. As noted by its first executive director, David Brower, decision making at the Sierra Club is "becoming like Velveeta; everything must be processed" (Borrelli, 1988), although changes over the past decade have focused on streamlining the decision-making process. Worth noting is that Sierra Club's national headquarters are located in San Francisco, not Washington, D.C., although this may reflect the fact that a significant percentage of Sierra Club's membership is based in California (Shaiko, 1999).

As is the case for almost all ENOs, the goals of the Sierra Club have changed with time. Originally, the Sierra Club was focused on protecting wild places. While that goal has not disappeared, today there is a much stronger focus on climate change, with the development of a Climate Recovery Agenda, described on the website as "a set of initiatives that will help cut carbon emissions 80% by 2050, reduce our dependence on foreign oil, create a clean energy economy and protect our natural heritage, communities and country from the consequences of global warming."

The Nature Conservancy
(http://www.nature.org)

The mission of The Nature Conservancy is to preserve the plants, animals, and natural communities that represent the diversity of life on Earth by protecting the lands and waters they need to survive. The group's defining characteristic is to identify parcels of land that science considers worthy of conservation and to preserve them through acquisition. Its origins can be traced back to a splinter group from the Ecological Society of America in 1917, but it was officially founded in 1951 and today has more than one million members in more than 30 countries.

The Nature Conservancy is governed by a volunteer board of directors, which has ultimate responsibility for its operation. Its board of directors consists of a who's who of academia and business, reflecting the organization's pragmatism: melding business and scientific leaders to develop a unique approach to conservation. Responsibility for day-to-day operations is delegated to its president and chief executive officer. Mark Tercek became president and CEO in July 2008, leaving his post as a managing director at Goldman Sachs, where he headed the firm's Center for Environmental Markets and its Environmental Strategy Group. Tercek's appointment reaffirmed The Nature Conservancy's pragmatic approach to conservation: recruiting a leader who has deep financial skills but understands and is sympathetic to the need for environmental action.

Given The Nature Conservancy's focus on collaborative, science-based conservation, grassroots involvement by membership is not a strong component of its mission. Rather, it achieves its goals by pursuing "non-confrontational, pragmatic solutions to conservation challenges." It partners with indigenous communities, businesses, governments, multilateral institutions, and other nonprofits. The Nature Conservancy has seven priority conservation initiatives, focused in fire, climate change, freshwater, marine, invasive species, protected areas, and forest ecosystems.

Greenpeace
(http://www.greenpeace.org)

The core values of Greenpeace USA, described on its website, include

> bearing witness to environmental destruction in a peaceful, non violent manner; using non violent confrontation to raise the level and quality of public debate; exposing threats to the environment and finding solutions while having no permanent allies or adversaries; ensuring financial independence from political or commercial interests; and seeking solutions for, and promoting open, informed debate about society's envi ronmental choices.

Greenpeace was founded in 1971, when a small group of environmental activists leased a small fishing vessel to protest U.S. nuclear testing off the coast of Alaska by placing themselves in harm's way. Today, Greenpeace has 2.8 million members in 41 countries, with its international headquarters in Amsterdam and U.S. headquarters in Washington, D.C.

Greenpeace International is governed by a board of directors who set the organization's annual budget and elect and monitor the Greenpeace International Executive Director. The board members are chosen by representatives from national and regional offices, who are in turn chosen by national and regional boards elected by Greenpeace members. The executive director of Greenpeace USA since 2000 is John Passacantando, who previously served as executive director of the Florence and John Schumann Foundation, funding campaign finance reform and environmental issues. He then founded Ozone Action, an anti-global warming group. Passacantando advocates using a variety of tactics to promote his cause, including lobbying, letter writing, consumer boycott, and civil disobedience. Formerly a political conservative and supply-side economics supporter, his selection as executive director suggests that Greenpeace is seeking organizational pragmatism while not abandoning its founding principles.

Despite its relative youth, the focus of Greenpeace, like the other ENOs, has evolved over time. Greenpeace initially focused on ecological peace protests, such as entering the forbidden zones of nuclear test sites to attract the public's attention. Greenpeace has expanded its agenda and now defines its purpose through six primary objectives: halting climate change, protecting oceans, saving ancient forests, achieving disarmament and peace, reducing toxics in materials, and encouraging sustainable agriculture.

Philanthropic Foundations

This case study examines both a private foundation and a community foundation. Private foundations are created based on an endowment from a single source, while community foundations build an endowment from a variety of sources to address local needs within a specific geographic region (Daly, 2008).

The Charles Stewart Mott Foundation
(http://www.mott.org)

The Charles Stewart Mott Foundation is a private, not-for-profit foundation with $2.8 billion assets under management. The Mott Foundation was established as a private foundation in 1926 and is based in Flint, Michigan. Its overall mission is to support efforts that promote a just, equitable, and sustainable society. The foundation's four core programs are civil society, environment, Flint area, and pathways out of poverty.

The Mott Foundation's environment program has its own mission to support the efforts of an engaged citizenry working to create accountable and responsive institutions, sound public policies, and appropriate models of development that protect the diversity and integrity of selected ecosystems in North America and around the world. The environment program has three focal areas: conservation of freshwater ecosystems, international finance for sustainability, and special initiatives. A search of the Mott Foundation's grants results database showed that between 1977 (the earliest year a search could begin) and 2009, the environment program awarded 2,190 grants totaling an astounding $265,616,037. The Mott Foundation provides funding for on-the-ground environmental activities ranging from land acquisition to conferences, as well as the development of environmental programs at community foundations.

Community Foundations

Community foundations are distinct from private foundations in that they oversee a pool of donor-provided funds that reflect the different sectors of the community; their boards of directors are representative of the public interest, and they produce an annual report that is distributed within the served community (Lowe, 2004). As of 2001, there were more than 300 community foundations in the United States with at least $5 million each in assets, providing a total of more than $2 billion in annual giving (Foundation Center, 2002). Historically, community foundations have been strong supporters of the arts, community development, scholarship programs, and social needs; the environment is a relatively recent focus of community foundations.

One example of community foundation involvement in funding local environmental projects is the Great Lakes Environmental Collaborative. Conceived by Rob Collier of the Council of Michigan Foundations, the collaborative was funded by the Great Lakes Protection Fund and the Charles Stewart Mott Foundation with the goal of establishing endowment funds within local community foundations to support local and regional environmental initiatives. In 1997, 21 shoreline community foundations throughout the Great Lakes region were selected to participate in the collaborative. As a condition of participating, the foundations were required to establish a permanent environmental committee, establish an environmental endowment, and sponsor a minimum of two community awareness meetings during the first year of the project. In addition, foundation staff participated in educational workshops and presentations to gain a better understanding of the complexity of the Great Lakes environment.

The Community Foundation for Muskegon County (CFFMC; http://www.cffmc.org) was one of the leaders in the Great Lakes Environmental Collaborative. With assistance from foundation staff member Arn Boezaart, the CFFMC first established a never-before-available mailing/contact list of all of the environmental organizations within Muskegon County and the surrounding region. Starting with an initial award of $2,500 from the collaborative and the promise of a $15,000 match toward a permanent endowment, the CFFMC established a $100,000 environmental endowment in just 9 months. A permanent environmental committee composed of board trustees, university representatives, and participants from businesses and environmental organizations was established within the foundation. The CFFMC's environmental committee has awarded 39 grants since its formation in 1998, totaling almost $105,000. Most grants are modest in size, usually less than $5,000. A community foundation environmental endowment serves a number of important roles: (a) it provides an attraction for other philanthropic interests of a like mind; (b) it gives environmental issues more visibility and ongoing attention at the local level because community foundations typically have a high community profile and are generally well respected in their communities; and (c) it brings new enthusiasm, ideas, and resources to the table.

Higher Education

Most U.S. colleges and universities now have some type of environmental program. Many of these programs emerged in the 1970s in response to the growing environmental movement following the first Earth Day in 1970. These programs vary in their content and focus and may include environmental design, environmental education, environmental engineering, environmental policy, environmental theory, forestry, geospatial sciences, geology, marine science, water resources, and wildlife ecology. Today, there is a growing resurgence in these programs, driven in part by concerns over global climate change and a new emphasis on sustainability. Students enrolled in these environmental programs want a degree and have goals of career enhancement, but they also have a passion for making a difference. In some cases, this passion was nurtured by a prior association with an environmental organization, reflecting a potentially reciprocal relationship: An early interest in the environment results in the individual joining an environmentally based organization or assisting with grassroots activities, which in turn leads the individual to an environmental program at an institution of higher education. After graduation, the individual can become involved in ENOs through a variety of mechanisms (see below). In the case of higher education, an individual's continued association with his or her alma mater will depend on both the quality of the educational experience at the institution and future tracking by the institution's alumni and development offices.

Although literally hundreds of environmental programs are available at higher education institutions, for simplicity, this chapter provides a brief overview of two organizations. The first, Duke University's Nicholas School of the Environment, has a broad environmental mission, while the second, Grand Valley State University's Annis Water Resources Institute, is focused more narrowly on freshwater ecosystems.

The Nicholas School of the Environment
(http://www.nicholas.duke.edu)

The Nicholas School of the Environment has a mission of creating knowledge and global leaders for a sustainable future. Faculty, staff, and students attempt to understand the Earth and the environment including humans as an integrated whole and to advance a more sustainable future by strategically focusing resources on addressing the major environmental issues of our times and training a new and environmentally informed generation of global leaders.

The Nicholas School was officially created in 1991, when the School of Forestry and Environmental Studies and the Duke University Marine Lab (both formed in 1938) came together to become the School of Environment, which was named the Nicholas School of the Environment in 1995 following a $20 million gift from Peter M. and Ginny Nicholas. The Nicholas School, headquartered on the main campus of Duke University in Durham, North Carolina, is composed of three divisions: marine science and conservation; earth and ocean sciences; and environmental sciences and policy. More than 70 faculty members hold appointments at the Nicholas School, which offers master of environmental management and master of forestry degrees, as well as educational opportunities at the doctoral and undergraduate levels.

Annis Water Resources Institute
(http://www.gvsu.edu/wri)

In contrast to the broad approach of the Nicholas School of the Environment, the Annis Water Resources Institute (AWRI) at Grand Valley State University has a much more defined focus on the freshwater environment. Its mission is to integrate research, education, and outreach to enhance and preserve freshwater resources.

AWRI was created in 1986 and moved about 35 miles from the main campus of Grand Valley State in Allendale, Michigan, to Muskegon, Michigan, in 2001. It was named after Robert B. Annis in 1997, in recognition of his long-time support. AWRI is composed of three main program areas: education and outreach; information/geospatial services; and ecological research. AWRI has about 70 full and part-time employees, with eight principal investigators. A master of science degree, with an emphasis in aquatic sciences, is offered through the Department of Biology.

Opportunities for Involvement

Environmental Organizations

Most early environmental organizations formed as bottom-up, grassroots organizations, which provided a social networking opportunity for engagement and activism at the local and state levels. However, toward the end of the 20th century, as these organizations evolved to survive rapidly changing economic conditions, local grassroots involvement was replaced by organized entities who "involved" their membership largely through their publications and recruited or retained their membership via direct mail, telemarketing, and to a lesser degree, canvassing (Shaiko, 1999). The intimacy and passion that characterized the involvement of members in the founding environmental organizations has been replaced in many modern organizations by an involvement that amounts to little more than an annual membership renewal, or what has become known as a "checkbook affiliation" (Hayes, 1983).

Concerns that environmental organizations were becoming too bureaucratic and too focused on insider politics in Washington, D.C., first developed prior to World War II and continued to build through the 20th century. Decision making became more centralized, and a greater emphasis was placed on professional staff at the expense of volunteers (Bosso, 2005). In response, there was a growing call—including behavior that was angry and impolite—for a return to grassroots activism at the local level (Dowie, 1995).

Today, involvement in and by these organizations can take many different forms (Figure 24.1). However, for those looking for opportunities to become engaged in ENOs, it is important to first decide what type of organization best reflects one's own personal philosophy and interest. As noted earlier, ENOs are not created equal.

Broad-spectrum environmental organizations (coined "keynotes" by Bosso [2005] to reflect keystone predators and the wide-ranging influence they have in natural ecosystems) pursue the broadest policy agendas and include Sierra Club, Natural Resources Defense Council, and World Wildlife Fund. Most of the broad-spectrum ENOs have moderate and accommodating ideologies, which is perhaps to be expected given their diverse missions and memberships; their diverse audiences require a nonconfrontational approach to environmental problem solving. For individuals wanting to get involved in specific causes, the broad-based organizations may be, in general, inappropriate because their lack of depth in tackling any one issue may not appeal to activists. In that case, the sectoral and niche organizations may be more appropriate. Bosso (2005) defines sectoral players as ENOs that still pursue a broad policy agenda but have oriented themselves with respect to a specific cause, such as Greenpeace over marine issues or The Nature Conservancy over land acquisition for conservation purposes. Again, these organizations rarely fall into radical camps, although some are less accommodating than the broad-spectrum ENOs (such as Greenpeace). In contrast, The Nature Conservancy often partners with big business to acquire land and has been viewed as overly accommodating (Bosso, 2005). Niche players typically are small and specialized and fill the entire ideological spectrum ranging from radical (e.g., Earth First!) to conservative (e.g., Ducks Unlimited).

Motivations for individual involvement in environmental organizations are often difficult to quantify but usually relate to either an affinity for organizational goals and contacts with fellow members, the perceived threat of environmental harm, or tangible incentives (e.g., publications, tote bags, etc.; Shaiko, 1999). The mechanisms by which individuals become involved also are varied. Passive involvement includes becoming a member and paying annual dues. This money helps offset the costs of organizational maintenance, but increasingly, this is becoming a less significant source of revenue for ENOs, replaced by major gifts and grants (Bosso, 2005). Rather,

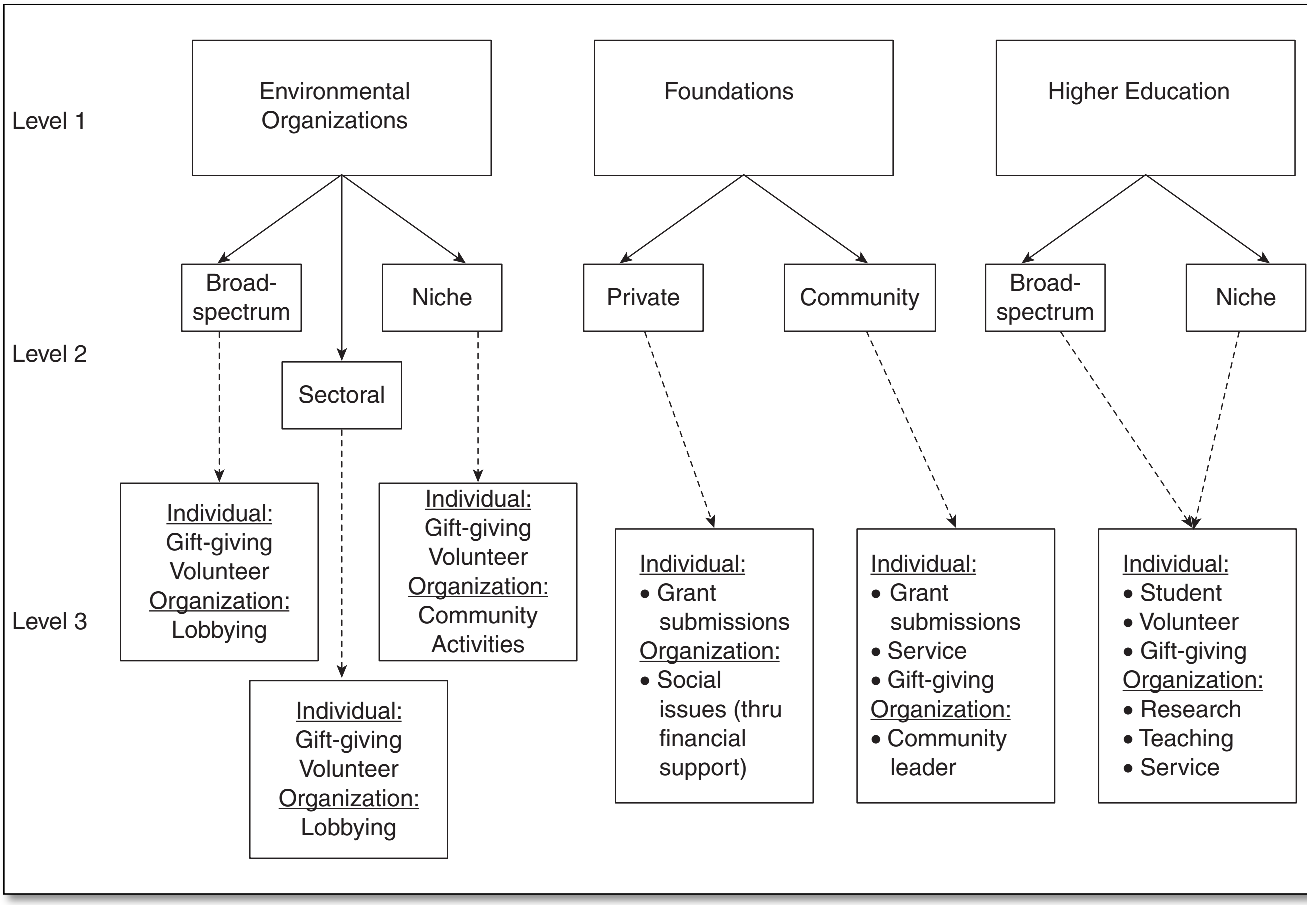

Figure 24.1 Flow Chart Showing Types of Environmental Nonprofit Organizations (ENOs) and Opportunities for Involvement

NOTE: Level 1: broad categories of ENOs; Level 2: finer scale description of ENOs; Level 3: opportunities for involvement by individuals within an ENO and by organizations within the environmental sector. See text for more detail.

increased membership numbers are relevant because they are an indicator of organizational success and can be used as an effective marketing tool. However, active involvement is also possible, depending on the organization and how *active* is defined. For example, many environmental organizations host educational and research field trips, where members are encouraged to participate. Among the large, broad-spectrum environmental organizations, the Sierra Club is the poster child for local involvement. Through local chapters, members can get involved (there is a "get involved" linked on their local chapter websites) through outings, volunteer activities, and internships. There are also links to local issues, informing members about lobbying and letter-writing activities. This type of local emphasis is rare among broad-spectrum environmental organizations.

In a fortuitous confluence of growing activism and technological advancement, the emergence of the Internet in the late 20th century has provided several new avenues for involvement by individuals interested in environmental activism. The maturation of ENOs in the late 20th and early 21st centuries resulted not only in more professional staff and management but also in much more sophisticated information technology. The websites of most ENOs provide a wealth of information about the host organization as well as environmental issues and stewardship tips: Blogs and social messaging (e.g., Twitter) are commonplace, although it is unknown if these means of communication are being developed and maintained because they are truly effective or because of peer pressure. Bosso and Collins (2002) note that despite the growth of Internet services, most ENOs use websites to inform their audiences, recruit and mobilize advocates, and fundraise. It is unclear if the emergence and growth of new social networking links, such as Flickr, YouTube, and Facebook, will change these dynamics, or if there will be a movement to revitalize an actual, not virtual, grassroots with real people (Bosso, 2005).

Involving membership via electronic media is clearly a growing trend, and the possibilities for informing, nurturing, and growing members are still in the exploratory phase. However, nonprofit marketing research suggests that smaller nonprofits (not specifically ENOs) are not using their online resources to their fullest potential. Many simply rely on their website for one-way communications with members, clients, funders, and so on, instead of using it as a resource to develop relationships (Pope, Isely, & Asamoa-Tutu, in press). In contrast, Sierra Club currently maintains three blogs on its website's home page under the names Carl Pope (the executive director), The Green Life (daily environmental tips), and Scrapbook (highlighting Sierra Club staff and membership news). Will the future lead to more blogs, or will high maintenance result in fewer blogs? The Sierra Club home page also has links to Flickr, YouTube, and their Facebook page. YouTube appears to be well watched; their current video, *Celebrity Sierra Club Supporters Say Thank You to President Obama,* had 28,585 views and 143 comments within 2 months of its March 30, 2009, posting. Sierra Club's Facebook wall has 27,084 fans, a nontrivial number but only 2% of its total membership. In contrast to the Sierra Club, the blogs on The Nature Conservancy's website tend to be based on scientific information and lack the more personal approach of Sierra Club. Greenpeace's website is very focused on membership involvement; its home page features staff blogs and a Twitter side bar. One of the links is "get involved," which provides guidance on the following activities: making online contact with elected officials and corporate executives, creating a blog, joining the group's Facebook page, making a donation, joining its MySpace community; or subscribing to Greenpeace's YouTube channel.

Websites of environmental organizations also feature opportunities specifically tailored to students. The Sierra Club has Sierra Student Coalition (http://ssc.sierraclub.org), which is a network of high school and college students throughout the United States working to protect the environment. Involvement can include working on political campaigns, receiving a monthly newsletter, obtaining phone or summer trainings, becoming a campus or community organizer, or joining a national committee. The Nature Conservancy does not host a web page dedicated explicitly to students, but it does list a variety of volunteer activities that are organized by state. These include both outdoor and indoor activities, as well as volunteering opportunities through the group's partners. Greenpeace features a student network (http://members.greenpeace.org/students), which is coordinated by the Greenpeace grassroots team and led by Greenpeace student activists. Roles include serving as a student network coordinator, who helps design campaign priorities for the network, orients new student leaders, and helps to coordinate actions; or serving as a campus coordinator, who coordinates campaigns on his/her campus and stays in touch with other leaders in the network. Greenpeace also offers an *organizing term* (http://www.greenpeace.org/usa/getinvolved/greenpeace-organizing-term), which is a semester of hands-on training for students who wish to become active in the environmental movement.

Finally, environmental organizations offer career opportunities through their websites. It is perhaps telling that for broad-spectrum organizations such as Sierra Club there are often as many, if not more job listings for administration, communications, information technology, development, and fundraising than for conservation and outdoor activities. Again, this reflects the maturation of these organizations and their need to retain a professional staff that keeps the ENO in business. The Nature Conservancy, with a stronger focus on science, tends to list a greater number of technical positions than broad-spectrum ENOs.

Foundations

Opportunities for individual involvement with private foundations are limited, given their mission and organizational structure. Involvement is principally through an application for grant funds. However, these private foundations can significantly influence environmental issues through their financial resources. For example, the Ford Foundation provided significant funding for organizations engaged in public interest law (Bosso, 2005). Private foundations, such as Ford Foundation, Mott Foundation, Pew Charitable Trusts, and Gordon and Betty Moore Foundation, have substantial environmental programs. Whether private or public, foundations strongly recommend that organizations seeking grants contact the relevant program officer before submission to make sure their proposal is consistent with the goals of the organization. Foundations tend to fund noncontroversial organizations because of tax considerations, focusing on activities that avoid lobbying or that are not overtly political in nature (Bosso, 2005).

Opportunities for involvement in community foundations include applying for grant funds (similar to private foundations), making donations to the foundation, and volunteering to serve on foundation committees. The CFFMC, located in west Michigan, exemplifies these different types of individual involvement. In 2007, the CFFMC awarded about $130,000 in grants to projects in the environmental sector (CFFMC, 2007); this is about 3% of the total amount in grants awarded that year. Funding priorities for the CFFMC's environmental committee include projects associated with environmental education, smart-growth principles, habitat protection, and community-wide recycling initiatives. Individual involvement also can include serving on the committees that evaluate the proposals and donating to the foundation. In turn, the community foundations can get involved in environmental issues; the CFFMC has shown leadership in the Muskegon region by helping support sustainability, land conservation, and alternative energy (CFFMC, 2007).

Higher Education

The most common opportunity for individual involvement in institutions of higher education is to enroll as a student. This option may not be viable or of interest to all individuals, in which case involvement can include paid employment (e.g., internships, technical assistance), volunteer activities, and gift giving. Volunteer activities vary tremendously depending on the size, location, and mission of the organization. For example, one of the prominent volunteer programs at Duke University's Nicholas School of the Environment is at Duke Forest, where opportunities range from office administration to trail maintenance. In contrast, at AWRI at Grand Valley State University, volunteer opportunities are available on education and research vessels, where more than 120,000 passengers have received a hands-on educational experience.

As with environmental organizations and foundations, donations are a critical element in the financial stability of higher education facilities. The Nicholas School of the Environment has a number of giving opportunities, including unrestricted support to an annual fund, an alumni fellowship fund to assist current students, sponsored fellowships and internships, lectures, leadership gifts and naming opportunities, and matching gifts through employers. This level of sophistication and expertise is to be expected from a large organizational entity within Duke University. AWRI is an academic unit within Grand Valley State's College of Liberal Arts and Sciences and, being much smaller, does not have its own development office. However, the previous and current directors of AWRI have spent considerable time developing personal relationships with the community and helping to build endowment funds that support research and monitoring activities, the maintenance of the vessels, educational cruises, internships, and graduate assistantships. Gift-giving opportunities exist through funds established at both the CFFMC and the Grand Valley State office of university development.

The missions of most institutions of higher education, which include research, teaching, and service, also provide both direct and indirect opportunities for societal involvement. The research findings that emerge from higher education often serve as the foundation for resource management decisions although societal values, political climates, and economic conditions ultimately will determine to what degree these scientific findings are used (Rosenberg, 2007; Steinman, Havens, & Luttenton, 2004). Teaching results in a better educated populace, and a devoted mentor can be the difference between an unengaged individual and a future environmental leader. Finally, service by faculty and staff includes making presentations to civic groups, participating in committees on foundations or environmental organizations, leading outings, and providing technical expertise.

Summary

Environmental nonprofit organizations at all levels play an important role in addressing the environmental problems facing the planet today. These ENOs come in many different types and sizes and should not be viewed as a homogenous sector. There has been a clear evolution in these organizations over time, with greater emphasis being placed on professional staffing and executive leadership. Still, there are many small grassroots organizations—but they are more difficult to sustain and tend to receive less exposure because of their localized work. It is unclear if the emergence of new social networking tools on the Internet will catalyze more grassroots activism or if these tools will simply be a replacement (albeit much faster) for prior avenues of passive involvement, such as printed magazines for top-down information sharing and letter writing for bottom-up feedback.

Despite the variety of ENOs, there is considerable overlap in opportunities for involvement (see Figure 24.1). This overlap is potentially deceptive, as specialization within the ENO community has resulted in different submarkets within the environmental community. Perhaps the most significant change in the environmental nonprofit world, apart from the trend toward professionalization, is the specialization evident in a large array of these organizations.

As we enter the second decade of the 21st century, a much greater emphasis is being placed on the sustainability of our ecosystems and the roles that humans play (Vitousek, Mooney, Lubchenco, & Melillo, 1997). It is becoming increasingly evident that environmental problems cannot be solved without consideration of economic prosperity and social justice. Within the environmental nonprofit sector, the foundations and organizations of higher education appear to be embracing this philosophy. Environmental organizations that have positioned themselves as less accommodating run a greater risk of being marginalized in today's more pragmatic world. Nonetheless, change is constant, and it is entirely plausible that an unanticipated environmental crisis could result in shifting priorities and transform a current niche organization into a powerful player in the future.

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25

Health and Hospitals

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Leadership in health care presents opportunity for unique challenge and self-fulfillment. It also calls on deep personal strength, values, and vision. In addressing health care leaders, we are reminded of the clear differences among them: Some lead academic medical centers, others are responsible for health systems comprising multiple hospitals, and still others work in long-term care services, rehabilitation and specialty hospitals, hospice care, outpatient and ambulatory care, teaching and research institutions, managed care organizations, and other divergent organizations—all of them participants within a continuum of care. In some cases, hospitals stand alone as the sole provider in their communities, smaller in size, more narrow in scope of services, and limited to the primary and secondary care services that are within their range of technology and practitioner skill. Still others are of moderate size and scope. In each case, leadership is faced with similar challenges related to changing reimbursement systems, clinician workforce shortages, new technologies, and waves of patients unable to pay for their services.

Hospitals daily face competitive environments in which not only other hospitals but also their own medical staff providers often pursue competitive interests (e.g., in building their own surgery centers and thereby pulling market share from the hospital). As professionals, health care leaders are going to find themselves faced with even more competition in the years ahead (Birk, 2008, p. 10).

They work in a world in which the tax exemption that favors them brings with it the cost of providing community benefits to the poor and needy in the community—and increasing pressure from community leaders to do so. They face increasing shortages of key personnel and growing demands among a public that is reaching deeper into its pocket to pay for medical care and correspondingly bringing higher expectations to the care setting.

While leading in the turbulent times of the last decade, and facing a new decade of even more intense environmental pressures, hospital leaders are compelled to bring a strong sense of values and vision to their practice. This chapter will address some of the issues and promises that are the environment in which the health care leader functions—at whatever level of responsibility that leader is found in the hospital.

Gail Warden, former CEO of Henry Ford Hospital in Detroit, summarized the role of the health care leader in three essential contexts: Hospitals have a strong community service mission, and they must

- exert leadership in carrying out this mission;
- ensure that there are mechanisms to promote the provisions of high quality services and compassionate care; and
- use systematic processes for determining goals and objectives in relation to change in the environment and the needs of the community.

The Health of the Population Versus the Health of the Individual

The United States is generally viewed as having the best health care in the world—when *best* is defined as having the most advanced technology and highly skilled specialists. However, when the United States is compared on basic health status factors against other countries in the world, it comes up deficient. Infant mortality status is a measure of how many children die before their first birthday. On this measure, the United States ranks 42nd in the world behind countries such as Cuba, Portugal, Finland, the Czech Republic and many others (Central Intelligence Agency, 2008). When measured on the average life span of its citizens, the United States was reported in 2006 at 78.0 years, the same as Cuba and Chile and behind countries such as Switzerland (82), Spain (81), Sweden (81), Canada (81), Singapore (80), and the United Kingdom (79).[1] These data suggest that the U.S. population, while enjoying access to the most highly sophisticated medical services available, is not as healthy as other developed and underdeveloped countries.

This presents a problem for health care leadership—one in which improving the health of the community comes into conflict with the existing structure of the delivery system. Basic health indicators suggest that the "low-hanging fruit" of population health improvement is in the expansion of primary care services. However, these services have the least financial support in U.S. reimbursement mechanisms, whereas in other countries, primary and preventive care has historically been a hallmark of health care system design. The challenge for leadership presented by these data is one of restructuring medical delivery with a balanced focus on primary care and access without diminishing the specialized services that are the pride of U.S. communities and providers.

The "New" Consumer

The evolving role of consumers in taking more responsibility for their health and the consequent rise of consumerism in health care have created the need for a shift in the way in which health care executives think about their customers. Compelled to reach deeper and deeper into their pockets to cover the cost of care, customers are more knowledgeable and bring higher expectations to their medical care experience. Effective leadership entails a move away from physician-centric operations to consumer-centric practices, from passive models of customer service to active models, one that measures success from the patient's perspective—which typically is focused on the health care experience.

Much of consumerism is being driven by the high cost of health care. Payment programs and employer benefit plans require more and more consumer financial participation in the cost of care through increased deductibles and copays. Increasing numbers of major employers are establishing consumer-directed health care programs, which are designed to provide each employee with a given annual amount of money that is placed into a health care account. The corollary health benefit insurance plan then places high deductibles on the employee—a deductible that approximates the amount of funding the employer places in the employee health savings account. In this arrangement, the employee has the choice of how to spend these dollars, and any that are not spent stay in the employee's account for future use. The objective of this strategy is to encourage the employees and their families to make judicious use of medical services and to seek out those that are less expensive.

This has implications for the hospital—in a slow economy more patients are unable to pay for medical costs, and the hospital is at higher risk of bad debts when the patient cannot pay for services. If, on the other hand, consumers do not get medical care, they go to emergency rooms in acute phases of illness—a very costly alternative to the primary care they might have sought, had they had the financial resources or the will to seek care early.

Corporate Status of Hospitals and Health Systems

Hospitals may be structured as nonprofit or as for-profit organizations. As with other nonprofits, this organization structure brings with it the opportunity for tax exemption and the responsibility to provide community benefit. Recent controversies in the hospital sector have questioned whether the levels of charity care, community benefit, and executive compensation provided by not-for-profit hospitals are consistent with mandates of their tax-exempt status and mission statements.

In the United States, about 60% of hospitals are non-government-owned, nonprofit community hospitals (about 18% are for-profit corporate entities, and 22% are state and local government-owned hospitals) (American Hospital Association, 2007). Along with the significant advantage to be found in tax-exempt status comes the demand that proportionate community benefit should be returned. While this is a basic and long-standing quid pro quo, the criteria by which community benefit is defined and measured have not yet been defined: What is indigent care? What services/costs are included in community benefit? What proportion of revenue is the correct amount to dedicate to community benefit? Answers to these questions are wending their way through the courts and the legislatures of states across the country.

Governance: The Boardroom

Boards of nonprofit hospitals are typically organized under the voluntary model—board members do not get paid for their service. A 2007 survey of The Governance Institute reported that only 9.5% of hospitals used cash compensation for their board chairs, and 8.3% reported providing compensation to other board members. While hospital boards have remained generally voluntary, other core elements have changed—changes that reflect evolving issues for health care. In response to financial events such as the collapse of Enron and abuses at other major companies and the controversy related to tax-exempt status and community benefit, boards have created committees focused on executive compensation. As suggested by Owens (2005), "To address the current probe by the Internal Revenue Service, hospitals must begin to link their executive compensation with their organizational mission" (p. 237).

Following the 1999 report of the Institute of Medicine, *To Err Is Human,* which reported that up to 98,000 patients die in hospitals annually due to preventable medical errors, many hospital boards have incorporated a quality committee into their structure, seeing oversight of the core outcome of the enterprise as a key factor in their responsibility. In further transition, as hospital boards have faced increasingly complex financing, a highly competitive environment, and the need for strategic thinking, they have tended to constitute their membership differently—moving from a country club model in which appointments are made based on status and position in the community to a more professional model. Hospital "boards tend to devote more attention to recruiting members based on the organization's needs and candidates' expertise so those members can provide substantive input" (The Governance Institute, 2008, p. 64). At the heart of these transitions is a need driven by both internal and external forces for greater transparency, accountability, and independence among hospital boards and executive management (The Governance Institute, 2007).

Physicians

Physician/Hospital Relationships

Hospitals' relationships with their medical staffs have historically been characterized by the need to collaborate based on their interdependence and by conflict arising out of the different perspective each brings to its role in the hospital. William Petasnick, CEO of Froedtert & Community Health in Milwaukee, Wisconsin, and chair of the American Hospital Association, puts it best when he says that in hospitals, the "challenge of leadership [arises from a structure] in which the business model is built upon skilled practitioners who are not on the payroll of the organization" (Petasnick, 2007, p. 3).

Most physicians work in hospitals not as employees, but as members of the medical staff of the hospital. The medical staff is an organizational structure separate from the hospital's operations and management; it is organized under the authority of the governing board of the hospital and serves as the vehicle through which physicians are credentialed to work in the hospital—admitting, diagnosing, and treating patients there. This structure is long standing and historically has been a source of conflict. While the hospital functions on a business model, physicians place priority on their clinical care and avoid the complexities of the business realm of the hospital. The hospital cannot earn revenue from its clinical services without a member of the separate organization, the medical staff, placing an order for the test or procedure on which billing occurs to generate revenue. Executives must create and maintain a positive relationship with their medical staff and individual physicians to assure cooperation and collaboration. The role of the administration is to assure that the two occasionally competing interests are in alignment.

> While hospital bylaws guide and constrain physician behav ior, physicians are ultimately ethically accountable only to their peers and patients and legally accountable primarily to state licensing boards. . . . While management can speak with authority to the issues and concerns of all other healthcare workers, management cannot represent this critical cadre of participants in the healthcare delivery process. . . . Some degree of distrust seems inherent in the relationship between physicians and hospital executives. (The Governance Institute, 2007, p. 58)

Civility/Disruptive Behavior/Bullying Among Physicians (and Other Staff)

Health care leadership has been particularly challenged over the past decades by the phenomenon of the disruptive, uncivil, or bullying physician—the physician whose intimidating or angry behavior toward employees and patients in the clinical setting leads to medical errors and compromised patient care.

> Bullying, incivility, and their associated disruptive behaviors are insidious and destructive forces with negative conse quences that require identification and intervention at the individual and organizational level. Costs incurred secondary to these insensitive behaviors are substantial and involve mat ters of patient safety, absenteeism, turnover, turnover inten tions, organizational commitment, and employee health care. (Felblinger, 2009, p. 13)

Hospitals have been reticent to address this issue, fearing the loss of admissions and revenue should the doctor leave—and also the very wrath that intimidates their staff. With new accrediting standards and concern about the impact of bullying on the quality of patient care, hospitals have initiated policies and practices to address this issue. Although confronting the problem is difficult, corporate values insist that hospitals not continue to turn a blind eye to bullying among their physicians and other staff.

Physicians in Management

During the latter half of the 20th century, as the management of health care institutions was taken over by professional managers, physicians transferred to their generally preferred world in the clinic, and the numbers of them in management roles decreased. However, this trend has been changing substantially in the last decade. Hospitals, needing to form more positive relationships with their physicians, have created and expanded the management roles of physicians. Positions have been created for the chief medical officer, vice president of medical affairs, chief medical information officer, and chiefs of various clinical operations and of quality. Physicians also continue to move into the office of the chief executive officer and into the board room.

Dr. Michael Perry, CEO of FHN Hospital in Rockford, Illinois, finds substantial value in effective physician leadership in the hospital. He says,

> Physicians often have disdain for administrators who have never practiced medicine or taken calls from patients. If physicians are asked for input they prefer to explain clinical opinions to leaders who understand clinical medicine. . . . If leadership can discuss shared values and goals with the affil iated physicians leading the way, then strategies and deci sions will be implemented with more success. (Perry, 2007, p. 32)

Staff

The hospital environment is composed of a highly skilled, diverse, often independent-minded workforce: nurses, pharmacists, technologists, therapists, dietitians, and other allied health personnel, as well as researchers, quality specialists, risk managers, financial managers, engineers, information managers and many others. Skill and vision are required to motivate and direct the enterprise in the midst of the many who are highly trained and skilled and who bring a wide array of scientific and program knowledge that is essential to the enterprise.

Leading Into a Future of Workforce Shortages

The environment of the hospital leader is like a finely woven cloth full of all the color and texture that is such a diverse human enterprise, yet health care leaders are confronting a daunting and unique challenge. As the population changes, the baby boom generation retires, and financial and technology incentives favor clinicians who are specialized, the demand for primary care physicians and for registered nurses is expected to far exceed demand. Forecasts indicate that the United States may face a shortage of 80,000 to 100,000 primary care doctors and more than 350,000 registered nurses by 2020.

For health care leaders, the solution to this shortage problem will not be found in short-term strategies unless new directions are taken. Physicians cannot be trained quickly, and nursing programs that are lacking PhD nurses cannot quickly expand to meet demand. There is no quick solution to the serious and growing shortage problem unless new strategies are pursued. A limited range of solutions are being found in the use of nurse practitioners and physician assistants in roles of “physician extenders” and in their own independent practices providing basic primary care services. In their work, they can relieve schedules of primary care physicians. Other solutions will be found on the demand side of medicine, as the U.S. payer systems increasingly use financial incentives to change consumer behavior and give clinicians incentives to practice at the primary care level.

Diversity in the Workforce

The populations served by hospitals reflect the diversity found in communities across the country. Yet, the management structures of hospitals and health systems are generally found to be not as diverse as the communities they serve. This is due to a number of factors, including the lack of preparation for advancement that too many people in minority populations experience and the consequent lack of numbers of promising managers prepared for advancement. This sets the stage for the health care executive to seek out and cultivate minority talent and skill, to, as Myers and Dreachslin (2007) suggest, “promote the full participation of all workers, regardless of their rank or identity group, and reward excellence” (p. 296).

One particular study is telling. “Data suggest that the number of women in leadership roles [in health care] is increasing, but women remain underrepresented in the top echelons of healthcare leadership, and gender differences exist in the types of leadership roles women do attain” (Lantz, 2008, pp. 302–303). In a study conducted by the University of Michigan, researchers selected hospitals that were considered to be high-quality, leading institutions as indicated by their inclusion in the Solucient 100 Top Hospitals in 2005. These hospitals were selected under the assumption that as cutting-edge hospitals, they were most likely to have significant gender diversity in their leadership. In their study, Dunham and Yhouse concluded that of the 474 chief administrators of the top hospitals responding to the survey, only 114 (24%) were women.

> The results also revealed that nearly one third (30%) of the Solucient 100 Top Hospitals employed no female chief administrators, and another third (34%) employed one female chief administrator. . . . Out of 100 top performing acute care hospitals in the United States, only 15 employed a female CEO. (cited in Lantz, 2008)

Despite several decades of efforts among women and policymakers and the overt express wish of hospitals executives to achieve a more representative balance in leadership of health care institutions, minimal results have occurred.

A commitment to diversity needs to be written into the mission statement and articulated in the goals of the organization. Without these as a starting point, advancement to a more diverse leadership and overall workforce will not happen. Besides assuring that diversity is included in the documents that express the purpose and strategy of the hospital, health care executives need to also be personally involved, have a communication strategy, and integrate their personal vision for diversity into organizational functions (American College of Healthcare Executives, 2004). As Gail Warden (1999), former CEO of the Henry Ford Health System in Detroit, Michigan, said,

> Each leader in an organization must evaluate the demograph ics represented in the governance of the organization, its exec utive and physician leadership, and its workforce. A commitment by leaders to change leadership demographics is the first step in designing a new corporate culture that makes diversity as important as the bottom line, customer service, quality and organizational growth. (p. 422)

Quality

Institute of Medicine Report

In 1999, the Institute of Medicine released a study titled *To Err Is Human,* reporting credible evidence of tens of thousands of deaths in hospitals, deaths that were caused by preventable medical errors in drug and IV dosage or in medication administration and caused by wrong-site surgery, by equipment malfunction, by hospital-induced infections. Prior to the report, health care leaders knew but were reticent to acknowledge the outcomes of the errors noted anecdotally in patient charts, and available studies were not credible or sufficiently attention-getting to support the idea of patient deaths resulting from poor processes or failure to follow those processes or even from lack of technology to measure the results of errors and failed processes. But the institute's report made it clear—as many as 98,000 people were dying in U.S. hospitals each year as a result of preventable errors. This does not count the numbers who were injured or those who experienced an error but did not have an adverse outcome—the "near misses" (Schulte, 2009, p. 149).

While these adverse events have a direct and often mortal impact on patients, they also impact the hospital. The cost of medical errors is high. From 2004 to 2006, the cost of patient safety incidents was $8.8 billion, and of the 270,491 deaths resulting from errors, 238,337 were preventable (HealthGrades, 2008).

After two decades of implementing a successive range of initiatives to improve quality, providers found themselves entering the 21st century face to face with a morbid reality: People are dying while receiving care from those whose mission is life. J. M. Rona, former president of the Virginia Mason Medical Center, discussing the institute's report, asked:

> Is this really the state of healthcare in the twenty first century America? Sadly, it is. The lack of vision, determination, and adequate management methods of those who lead America's healthcare organizations are the reason. . . . Leaders should question their own accountability and integrity and reconnect with the core value of medicine "Do no harm" to be able to lead in the name of their customers. (Rona, 2005, p. 87)

Health care executives have undertaken a number of initiatives to correct the environment in which preventable medical errors occur. Creating a culture of safety (i.e., patient safety) is high among those initiatives. A focus on accuracy and process permeates a culture of safety, and employees understand that each has a role to play—that there is no margin for error. Hospitals continue to make major investments in information systems to more clearly record orders for drugs and tests and to collect, analyze, and disseminate information for a better understanding of where and how errors occur, of best practices, and of evidence-based medicine (Ruchlin, 2004).

Hospitals have also adopted Six Sigma and lean management methods. One of the major examples of this is the Virginia Mason Health System, which has taken a lead role in becoming a quality leader:

> [The change is] shifting from believing defects are to be expected to believing zero defects in healthcare is not only possible, but also necessary. Generally, healthcare has advanced in technology and understanding of disease, but its business and management systems have changed little since the 1950s. (Kaplan & Patterson, 2008, p. 17)

Virginia Mason's leadership is committed to a process of instituting and integrating the Virginia Mason Production System (VMPS), which led to savings in planned capital investments, reduced inventory costs, and reduced labor expense. Patient safety alerts—computerized notices to clinicians when they, for example, prescribe a medicine to which the patient is allergic—increased between 2002 to 2007 from 222 per month to 8,112 (Kaplan & Patterson, 2008).

Financing Health Care

The financing of health care in the United States is part public, part private; part national health insurance through Medicare, Medicaid, and several other government-sponsored programs; part employer sponsored; and increasingly individually purchased through private-pay insurance plans and out-of-pocket payments from consumers. It's a complex system that, for all the wealth it consumes and creates in the United States, still has left almost 20% of the population with no coverage and many more with far too little coverage. Under the health reform legislation of 2010 (HR 3590, The Patient Protection and Affordable Care Act, and HR 4872, The Reconciliation Act), many of the uninsured will receive health care coverage through an expanded Medicaid program or under the requirement that everyone purchase insurance. For those who do not meet the poverty guidelines for the expanded Medicaid coverage, an insurance exchange will be available through which they are expected to be able to find affordable coverage.

Even with expansion in insurance coverage, public policy will still place hospitals in the role of default insurer for that portion of the population, including illegal immigrants, who are not covered. Under the Emergency Medical Treatment and Active Labor Act, hospitals are required to accept the uninsured in their emergency rooms and to provide essential diagnostic and treatment services required to stabilize those patients without consideration of their ability to pay. This generates a very expensive cost-shifting phenomenon in which costs charged to private-paying patients and insurers are increased by amounts not collected from the uninsured and underinsured.

How Much Does Health Care Cost in the United States?

The first place to start our discussion of health care financial management is to grasp how much the cost of health care is in the United States and what is driving the rapid rate of increase in costs. At the end of 2006, the U.S. tab for health care (hospitals, physicians, pharmaceuticals, nursing home care, and so on) was $2.3 trillion or 16% of gross domestic product (GDP). This represented a 6.9% increase from the previous year and a cost per person of $7,026. By 2016, health care expenditures are expected to reach $4.2 trillion or 20% of GDP (National Coalition on Health Care, http://www.nchc.org). As a result of health reform legislation of 2010, the Congressional Budget Office predicts that the rate of increase in health care expenditures will decrease.

Many external and internal factors drive this rate of expenditure, including technological advancements, growth in the population, changing reimbursement systems, an atmosphere of plenty in the face of the destitution of many, the numbers of uninsured among the U.S. population, incentives for costly services, a history of third-party payment that separates the consumer from the cost of care, an expanding workforce of specialists, and other factors. None of these factors functions in isolation from the other. They lend themselves to the creation of a volatile financial environment. Together they create a complicated and tightly woven web of forces driving up the cost of medical care.

Financial and economic volatility has significant impact on hospital leadership just as it does on the leadership of other industries. The 2009 Health Forum and American Hospital Association Leadership Summit led its keynote program with sessions titled “The economic crisis and its impact on healthcare” and “Surviving and even thriving amidst ‘the perfect storm.’” In their role of strategically managing through these storms, health care management professionals have been part of cost-cutting initiatives, of creating a highly competitive environment in which expansion and new technologies are undertaken to maintain market share, of strategically managing their payer mix, and of creating integrated delivery systems or networks that bring together under one organizational structure the various venues of medical delivery along a continuum of care to reduce overhead and marshal resources to retain patients within their systems and to expand services. Despite these initiatives, the rate of increase in the cost of medical care continues to outstrip other U.S. economic indicators.

Reimbursement Programs

To understand the complexity of the U.S. approach to paying for health care requires an examination of the major reimbursement programs that make up the payer mix in hospitals.

Medicare was established in 1965 to finance care for people age 65 and older. Subsequent to its passage, further legislation added coverage for the disabled and for people with end-stage renal disease. Medicare provides coverage under four distinct parts. Part A, hospital insurance or HI, covers hospital, skilled nursing, home health, and hospice care; Part B, Medical Insurance or MI, pays for physician services and other medical services and supplies; Part C provides coverage through managed care plans, such as HMOs; and Part D provides prescription coverage. For Parts A and B, the enrollee is responsible for deductibles and co-insurance payments. These coverage exceptions are called gaps in Medicare, and for them, the enrollee can purchase Medicare supplemental insurance. Administratively, Medicare is administered centrally by the Centers for Medicare and Medicaid Services within the US Department of Health and Human Services.

Medicaid came into being as Title XIX of the Social Security Amendments, which were passed in 1963. Medicaid provides health care coverage to people who are indigent and who are eligible for coverage based on specific criteria related to their poverty level. Medicaid is a state-administered program that is funded under a federal/state partnership arrangement in which the federal government covers up to about 70% of the cost (the percentage is based on the state’s average income). All states currently participate in the program, and even though Medicaid has extensive federal requirements and restrictions, states administer the program with many options available to them. Well over 50 million people are enrolled in Medicaid in the United States. The number of enrollees is expected to expand with the implementation of the provisions of the 2010 health reform.

The State Children’s Health Insurance Program, which was initiated in 1997 under Title XXI of the Social Security Act, provides federal funds for states to expand Medicaid eligibility to children who are uninsured but who live in families with an income level above that required for enrollment in Medicaid.

Managed care is a system in which the insurance company both receives premiums from the purchaser and implements procedures to influence what health care services patients consume and from whom in an attempt to manage and coordinate the patient’s care and thereby limit costs. Under most managed care programs, patients have less freedom of choice in selecting providers. In their focus on cost control, managed care organizations negotiate with providers for discounted fees for medical services. Once the two parties enter into an agreed-on fee schedule, as well as co-insurance and deductible levels, the health care provider may not bill the patient for the discounted portion of the fees.

Expanding the range of insurers are the plans that private health insurers offer individuals. These plans are growing in numbers as employer-sponsored health insurance diminishes in the United States.

The Regulatory Environment: Leading Under Intense Scrutiny

The Government's Role in Health Care

The government's role in health care delivery is tri-fold. The government serves as a *payer* of health care, as a *provider* of health care, and as a *regulator* of health care. Each of these roles is distinct, and each has its own impact on the delivery of health care.

At a federal level, the government serves as a payer through programs such as those discussed above. In its role as provider of health care, the government at the federal, state, and local level owns and operates direct service departments (e.g., the Veterans Administration and Indian Health Services at the federal level, mental health facilities and hospitals at the state and local level) (Schulte, 2009, p. 105).

As *regulator*, governments at all levels impose laws, regulations, and ordinances on hospitals. In addition to the rules and regulations of the state and local governments that impact environmental, sanitation, reporting, building, licensing, reimbursement, and operations of health facilities, federal laws and regulations affect every area of the hospital's operations. Included among these are the following:

- The Emergency Medical Transportation and Active Labor Act
- Certificate of need
- The Stark and antifraud and abuse laws
- The Health Insurance Portability and Accountability Act

Keeping Pace With Technology

Technology is one of medicine's most fascinating dimensions. In a relatively short time, medicine has gone from a basic understanding of infection and its causes to the ability to successfully perform multiple organ transplants, to re-attach limbs after they have been severed, and to prolong life with procedures and drugs that were unheard of only decades ago. Increased volume and complexity of the information that is generated at the bedside, along with the need to pass that information from provider to provider to improve the safety of patient care and to improve efficiency and effectiveness, have made the implementation of health care information technology mandatory. Yet, advances in medical technology and deployment of information technology consume huge investments and require time and process change. Medical technology involves a wide range of procedures, tools, and interventions that are used to diagnose and treat health care problems. Focus in this section is on pharmaceuticals and genomics and subsequently on information technology.

Pharmaceuticals

New drugs come to market on an ongoing basis, as pharmaceutical companies and researchers discover and develop new compounds to address the health conditions that afflict human beings. However, the process of getting those new drugs to market is complex, time consuming, and very expensive—a new drug can cost a company hundreds of millions of dollars.

> Innovations in the health sciences have resulted in dramatic changes in the ability to treat disease and improve the quality of life. Expenditures on pharmaceuticals have grown faster than other major components of the health care system since the late 1990s. Consequently, the debates on rising health care costs and the development of new medical technologies have focused increasingly on the pharmaceutical industry, which is both a major participant in the health care industry and a major source of advances in health care technologies. (DiMasi, Hansen, & Grabowski, 2003, p. 151)

Genomics

The Institute of Medicine in 2005 defined genomics research as "an emerging field that assesses the impact of genes and their interaction with behavior, diet, and the environment on the population's health." A human genome includes all the genetic material (DNA) of an organism. Having access to the human genome sequence is a powerful tool for understanding the pathogenesis of disease—it has greatly accelerated the pace of research in medicine. Far more remains to be learned about how genes affect human health, and the field of pharmacogenomics is poised for this study.

Pharmacogenomics is the study of how an individual's genetic inheritance affects the body's response to drugs. This field holds the promise of personalized health care in which drugs of the future might be tailor-made for individuals and thereby adapted to each person's own genetic makeup. Pharmacogenomics is expected to make possible a future of more powerful, better, and safer medicines, better vaccines, and a decrease in the cost of health care.

These new research areas also open up ethical issues relative to confidentiality and potential discrimination by insurers and employers, to the potential misuse of the science in human design, and to the further separation of the "have-nots" from the "haves" of society. While genomics offers an exciting frontier for health care, the field is challenged to ensure wise and appropriate application of genomic developments, fairness and equity, and protection of confidentiality for patients. The latter issue was codified into law when the Genetic Information Nondiscrimination Act was signed in 2008. It is intended to protect Americans against discrimination in health insurance and employment and to pave the way for people to take full advantage of the promise of personalized medicine without fear of discrimination.

Information Technology

Information is central to medicine and medical care delivery. Without accurate and complete information, the incredible opportunities that are in medicine's future, the quality of care, and the comprehensiveness of care cannot be realized. Yet, this huge industry that is health care has been slow in the implementation of information systems and information sharing. Health care provider organizations lag far behind other sectors of the U.S. economy in the implementation of electronic information systems.

While we can go to any ATM in the world and perform banking functions with our "back home" bank, we cannot go from one provider to another and have access to our health information in order to interact with that provider. In most cases, we find ourselves repeating the same information for input into the paper records of the new provider or into a stand-alone computer system; the provider cannot electronically access the results of any tests or interventions we might have had previously.

Beyond the issue of what patients and providers face is the financial impact of lack of electronic access to medical records. This lack opens the potential to unneeded testing, prescription errors, burdensome administrative functions, inefficiencies, and other costly consequences. As health care costs consume more than 16% of GDP and continue to rise at alarming rates, while the quality of outcomes puts the United States further and further behind those in other developed countries, the imperative for the fully functional, shared electronic health record grows.

A number of significant issues impact the implementation and adoption of the electronic health record. Key among these are the following.

Investment Demands

Hospitals have historically invested less than 2% of their revenues in information technology; other industries generally invest between 5% and 7%. Investment in electronic health records (EHR) requires tens of millions of dollars for smaller hospitals and billions of dollars for larger multi-hospital systems. Confounding this investment is the lack of documentation of financial return on investment. While hospitals are compelled to invest in information technology to improve quality, others are slower to make a full commitment to the EHR. The investment is beyond their budget.

Interoperability

In implementing the EHR, a key requirement is that multiplatform systems be able to communicate with one another. Standards organizations are plentiful, however, the industry struggles with reaching consensus on standards and with implementation of those standards. Organizations such as Integrating the Healthcare Enterprise and the Certification Commission for Healthcare Information Technology are substantially moving forward the standards agenda, yet health care providers continue to be faced with the challenges of achieving interoperability of new systems, of legacy systems, and of disparate systems in the clinical and administrative environments.

Behavior Change

Perhaps the major barrier to successful health care information technology deployment is the lack of readiness of health care organizations and their physicians and staff to adopt process change and to change their behaviors in the use of electronic information systems. Many find it burdensome to undergo the extensive training that is needed to develop facility with the systems, and others are simply resistant to changing their old ways.

Privacy and Security

Maintaining the privacy and security of patient data is essential—and required by law. However, the systems (both technology and human) are not yet hardwired to unfailingly protect the confidentiality of patient information. Both the technology and the legal environment continue to shape advances in the protection of information.

Readiness to Share Information

The full implementation of the EHR requires the sharing of information among providers. While sharing of information within health care systems between doctors and diagnostic services is increasingly accepted, sharing from system to system meets with resistance. The number of health information exchanges, which facilitate regional sharing of data, is growing and with them a realization of the need to share data for access at any point in the delivery system.

Summary

Health care is a complex field, composed of many unrelated but interdependent venues of care, of a wide array of highly skilled people in clinical and management backgrounds, and of a complex array of reimbursement programs. It is being driven toward change by a changing demographic population, a consumer orientation, an untenable level of escalating costs, new technologies, changing societal values, and demands for transparency in financial reporting and quality performance. The health care leader is compelled to develop and master skills that are transformational, the focus turning to communication, customer satisfaction, and superb performance. This is the challenge of leadership in the complex environment of health care. Not only is the field complex, but more is expected of health care leaders than those in other fields. From a long history shaped by the Hippocratic oath, "health care leaders must be authentic and transparent in the way that they lead their organizations" (Buell, 2008). They are called to a higher standard.

Note

1. Data are from the World Health Organization. Go to http://www.who.int/whosis/data/Search.jsp?countries=[Location].Members, then (1) select Mortality and Burden of Disease from left column and (2) select Life Expectancy at Birth (both sexes).

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26

YOUTH AND CHARACTER DEVELOPMENT

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In 2002, the centennial year of the 4-H (Head, Heart, Hands, and Health) movement in the United States, the National 4-H Council held a nationwide conversation on youth development in the 21st century. The conversation involved 600 organizations and more than 1,200 youths and adults in creating strategies and action steps that would enhance the organization's mission of empowering youth to reach their full potential.

4-H, largely seen as an organization for rural youth, has changed as the cultural landscape of America has changed, engaging nearly as many urban and suburban youths as rural by the new millennium. Believing that policy on youth development was too often passed down from on high at universities or government agencies, 4-H took a populist approach to confronting the challenges it faced at the start of the 21st century. The organization adapted its focus and allowed people from all walks of life to join the conversation and direct the organization's movement.

The final report of the national conversation intended to give key recommendations for improving and expanding youth development in America. Key findings included involving youth as policymakers, seeking multicultural acceptance for varied lifestyles, and building collaboration between youth organizations and government programs. The work of 4-H serves as a basis for the examination of nonprofits and the best practices in youth character development.

Youth character development is a fundamental part of nonprofit organizations. While the statement "children are our future" may seem like a cliché, it nonetheless reflects the integral role of youth in nonprofit organizations. Whether directly or indirectly stated within their missions, most nonprofit organizations are likely to incorporate youth and character development as part of their vision for the future.

To fully explore the concept of youth character development within nonprofit organizations' programming, this chapter provides definitions and theories of character development and moral development. Also examined are the historical perspective of character development within American history and the current role of nonprofit organizations in the character development of youth today. Ultimately, this chapter will explore the role of character development in a community, and it presents examples of how nonprofit organizations further their missions through work with youth.

Defining Character Development

According to Kevin Ryan (1997),

> The word *character* comes from the Greek word, to engrave. . . . Character of course, concerns itself particularly with the issues of what is right and what is wrong. When one forms character, one forms both a moral sensibility and also the enduring habits by which people live their lives. (p. 14)

Character development, then, is a process. In a formal sense, it may be referred to as values, moral, or character education. In an informal sense, it is the way in which each of us experiences, learns, and expresses a sense of right and wrong.

It is important to note that the actions and ideas of what is right and wrong fall on a continuum of what a community or society deems "good" and "bad." Each society or community has a set of values and determines acceptable and unacceptable practices based on these values. Unacceptable practices are considered delinquent or illegal (e.g., stealing from another person) or simply frowned on or immoral (e.g., infidelity). Acceptable practices are authorized or legal and may even be considered essential to a healthy society or community (e.g., moral). It is natural to relate character development to moral development.

Character development in youth is the creation, maintenance, and diffusion of morals deemed essential to that society or community. An individual with character is thought to have exceptional moral qualities, virtues, and reasoning skills.

However, character is not necessarily universal across cultures or even within culture. It is instead an agreed-on set of qualities within a particular community that signifies an exceptional or moral individual. To this end, the exact definition of character is largely defined by the cultural norms of the community. This depiction of character falls short of moral relativism; it is instead a statement that character is unerringly connected with many aspects of a culture, including that culture's morals. For this chapter, character often intersects with morals but is not synonymous with morality, which some see as a universal construct.

Understanding Moral Development

Although not the same, the development of character and the development of morals are intertwined. According to Reimer, Paolitto, and Hersh (1983), the conceptual foundation of Lawrence Kohlberg's work on moral development is Jean Piaget's work on cognitive development. To understand a person's perception of right and wrong, which is a reflection of character, one must consider how the person thinks.

Jean Piaget

Piaget (1932/1965) was a Swiss scholar who was trained as a biologist. His writings discuss the process of reasoning that children use, and his research was on the development of human intelligence. Piaget describes the process of reasoning as developing in four periods or stages: (1) *sensorimotor*, which is preverbal and is when children gain information derived through the senses and motor activities (e.g., the attachment of children and their caregivers based on touch and security), (2) *preopera tional*, when children show thought in their actions, purposeful behaviors that are egocentric or self-centered (e.g., a child crying to get fed or changed), (3) *concrete*, in which children can classify items in a concrete way based on learning and can understand item conservation across a variety of situations (e.g., a child reciting letters and colors and knowing right from wrong), and (4) *formal*, in which the person can express thoughts based on logic and abstract thinking (e.g., a child expressing views and analyzing situations from multiple perspectives, including those not directly experienced).

Piaget also believes that regardless of stage, all humans use their intellect to reason and process information. This cognitive processing provides a means for organization, adaptation, assimilation, and accommodation of the information they derive from experience. According to Reimer and colleagues' (1983) overview of Piaget, organization refers to the tendency to systematize information into coherent systems, which do not function properly unless they assist the person in adapting to the environment in which the person lives. For example, young children are taught colors, letters, religions, gender, values, and right and wrong and begin to understand and organize information based on these categories. This process helps children communicate in everyday life as well as predict consequences of their own behaviors. It helps them adapt to the environment in which they live. It is a process in which they begin to understand and become part of a community.

Once this framework is created, children have a means to assimilate new information. The first tendency of an individual is to assimilate information into what he or she already knows. When children are given a new box of crayons and asked what color a particular crayon is, they automatically answer with a color they know. They do not question if a crayon *is* a color, as all crayons are categorized as color, but they try to fit the new color into the categories of colors they know. For example, they may say that orange is red because they know red is a color and appears similar to what they are seeing.

As adults, we assimilate information about other people and may find that we predict what someone is going to say or do based on previous experiences with that person or someone else. We may or may not be correct, but the process helps us determine how we are going to act and the consequences of our actions with this person. Therefore, assimilation refers to the way an individual processes and acts on information in the environment based on the person's current organization of information. If this assimilation causes conflict for the person (e.g., a small girl throws a tantrum because she does not get what she wants as she did previously), the individual then begins to alter his or her organization of information to accommodate the new information. Accommodation takes information from the environment and modifies the current organization (e.g., given no reaction to the tantrum, the little girl may not throw a tantrum again, suggesting that she has learned that throwing tantrums will not get her what she wants).

Therefore, the application of Piaget's theory suggests that individuals and communities, including nonprofit organizations, can influence the experiences and the learning of an individual. Consequently, they may then influence how a person thinks.

Lawrence Kohlberg

What does this mean for moral development? Although David Riesman (1950), Erik Erikson (1955), and Erich Fromm (1955) had previously tried to examine more or less mature forms of moral thinking, Lawrence Kohlberg was the first person to conceptualize moral development based on Piaget's stages of cognitive development (Reimer et al., 1983). Kohlberg's (1971) stages of moral development were based on how an individual assimilates and accommodates information, as defined by Piaget, to make moral judgment. The theory describes three levels of moral reasoning: (1) *preconventional*, which includes the two stages of heteronymous morality and individualism, (2) *conventional*, which involves the stages of mutual interpersonal expectations and social system and conscience, and (3) *postconventional*, which includes the stages of social contract and universal ethical principles. Reimer, Paolitto, and Hersh (1983) describe Kohlberg's theory. A summary of their description of Kohlberg's levels and stages of moral reasoning is found in Table 26.1.

In general, *preconventional* moral judgments are based on avoiding punishment and following the rules. As a person develops cognitive reasoning, more *conven tional* moral judgments can be made based on meeting the expectations of others and wanting to be seen as "good," based on the laws of society. The third type of moral judgment requires abstract thinking and is based on the ability to decide what is the greatest good for the greatest number. People at this stage are able to use self-chosen ethical principles.

The question is, does cognitive development automatically reflect moral development? As people mature cognitively to a level of formal thinking, do they automatically become more aware of universal ethical principles? If so, and they act according to these principles, cognitive development, moral development, and character development walk hand-in-hand. However, this conclusion does not always appear to be true. For example, Adolph Hitler and Charles Manson are well-known for being extremely intelligent and having the ability to use high levels of abstract thinking, but their moral development would not be considered parallel to their cognitive development.

Although people have the ability to think abstractly, they do not always make moral judgments that reflect a process of assimilating and accommodating information regarding right and wrong based on established ethical principles. A person's cognitive development period is innately part of human development. Moral development, however, must be taught. Therefore, experiences teach moral and ethical principles and develop character. The development of character has been an integral part of American moral education and history.

Historical Perspective of Character Development

An exhaustive history of character development in America can hardly be covered in this chapter. The contributions of many diverse groups must be inferred without exploring in great detail. Therefore, this section will explore character development from the Anglo-American perspective based on its direct influence in most modern depictions of formal education in America. In this context, American character development began with the issue of moral education. Moral education was of the utmost importance to the first settlements, particularly to the Puritans of the Massachusetts Bay Colony, who left behind more records of their quest for moral development than other colonies that would form the original United States. For Puritans, and indeed most colonists, moral education was a question of both spiritual and physical survival. Having left the Old World, the Puritans fought fiercely to maintain their values in the wilderness of America.

Level and Stage	*Description*
Level 1: Preconventional	
Stage 1: Heteronymous	Moral judgments are rule based and are made to avoid punishment
Stage 2: Individualism	Moral judgments are based on following rules based on one's needs or interests and letting others do the same
Level 2: Conventional	
Stage 3: Mutual expectations	Moral judgments are based on meeting expectations of others and a belief in the wanting to be seen by others as good
Stage 4: Social system and conscience	Moral judgments are based on laws and maintaining society
Level 3: Postconventional	
Stage 5: Social contact	Moral judgments are based on the greatest good for the greatest number
Stage 6: Universal ethical principles	Moral judgments are based on self-chosen ethical principles

Table 26.1 Kohlberg Theory of Moral Development

SOURCE: Adapted from J. Reimer, D. P. Paolitto, & R. H. Hersh, *Promoting Moral Growth From Piaget to Kohlberg,* pp. 58 61. Copyright 1983 Longman, Inc.

Responsibility for education in Puritan society fell largely on the nuclear and extended family. The bulk of this education was based on knowing scripture and the laws and values of the society (McClellan, 1999). This early indoctrination of personal responsibility to one's community is reflected in the foundation of our modern ideas of character development, character education, and civic responsibility.

It would be unwise, however, to credit our current understanding of American character development solely to Puritanical beginnings. In fact, Anglicans who settled in Virginia and Quakers in Pennsylvania were deeply interested in moral education, for similar reasons as the Puritans: to maintain their communities and their values although economic motives had brought them to the New World. Adult men educated their young men through religious doctrine and saw religious education as a means of conveying heritage and pursuing values as well as teaching content such as reading and history. The task of the community, and in turn church and family, was to mold men of character.

After the American Revolution, the educated elite such as Thomas Jefferson were concerned that the fledgling nation would not be able to survive without a properly educated and virtuous populace. Therefore, these intellectuals envisioned a state-run education system (the prototype to our current public school system) in which the primary objective was to teach patriotism and democratic values. In a sense, the early days of the public school system were intended entirely to promote an indoctrinated form of character education. Formal education *was* character education, focusing on personal sacrifice for the common good, and it remained so throughout the 18th century.

In the 19th century, character education was punctuated by the need to balance diversity, unity, and order within the nation. Increasing mobility of the American people meant that parents could no longer guarantee that they could be a moral compass for their children throughout their lives (McClellan, 1999). Adult males now worked away from home, and the early moral education of the child became the mother's duty. According to Holly Salls (2007), "Mothers cultivated an inner desire for virtuous living in their children and forged a tie between virtue and happiness" (p. 7). However, concern remained that these women were not prepared to help children adapt to the changing world outside of the family. Fearing that a populace that was too freedom minded could lead to anarchy, proponents of the public school model argued that schools for immigrants and the poor could teach morality, ensuring that societal harmony endured.

Salls (2007) notes, "Character education in the public schools was also a means to achieve political and economic ends; it would create diligent workers and responsible citizens, men and women of virtue" (p. 8). Public schools began to appear in increasing numbers, with primers stressing reading and virtue. Formal public education was expanded, allowing most white children to attend a school for low or no fees.

The 20th century, with two world wars and a Cold War, led the United States to a competitive global vision for public education. Schools needed to emphasize technology and science to help children and the country compete with other developed countries. The role of character development within education was diminished, and the recognition of the multicultural nature of the country became a prominent issue. This brought to question the existence of common ground or universal principles of society in public education. The federal government worked to guarantee civil rights and began examining public schools to ensure tolerance. Two U.S. Supreme Court cases (*Engle v. Vitale* and *Abington Township School District v. Schemp*) reinforced the separation of church and state and recognized public education as state driven. Schools then stepped back from character education and inadvertently created a gap in the foundation of this democratic society.

Importance of Character Development in Democratic Society

Freedom and responsibility.
Liberty and duty.
That's the deal.

John Gardner (O'Connell, 1999, p. 126)

The quotation above, reflecting on American culture, comprehensively sums up the role of the individual in a democratic society: with freedom comes responsibility and with liberty comes duty. But to look to the other side of the coin, that is, when this "deal" is not realized, we gain a more unnerving perspective. Reflecting on the fall of Athens, the world's first democracy, historian Edward Gibbon wrote an epitaph:

> When the Athenians finally wanted not to give to society but for society to give to them, when the freedom they wished for was freedom from responsibility, then Athens ceased to be free.

To maintain a healthy democratic society, the general public, as a collection of individuals, must have some compass that guides it to proper or moral duties. No society, regardless of how overly legalistic it may be, can enforce the implementation of all morality to its citizenry through laws and regulations. To this end, democratic societies require that the citizenry have character and act to "fill the gap" between legality and what is morally favorable. Citizens of character are the background of democracy.

Because America is, at its heart, a nation of immigrants, the cultural structure has been erected much differently than with many other countries. People coming to the United States did not necessarily come as families and instead found companionship by joining in association with like-minded people. French writer Alexis de Tocqueville (1863) visited America in the early 19th century and observed with fascination that "Americans of all ages, all stations in life, and all types of disposition are forever forming associations" (p. 129).

In fact, Americans throughout history have joined associations more than most other peoples of the world. As a "nation of joiners," the United States built its foundation of democracy around the idea that civic engagement is a cornerstone to democracy. Democracy requires actions as individuals, communities, and charitable organizations that enhance the greater good and support society. This investment in community and society by interested citizens through advocacy and volunteerism is referred to as *social capital.* Democracy, therefore, requires social capital.

However, although the sheer number of associations in America is continually on the rise, the percentage of U.S. citizens actively involved in these associations is actually decreasing. Americans still give generously to charities, but while a check in the mail is a noble gesture, it does not build social capital like active volunteers or philanthropists. Take, for instance, the continual decline in organizational involvement in the United States. In the 1960s, most Americans spent at least some time each week involved with a community organization, but by the 1990s, only one quarter of Americans were involved with a community organization on a weekly basis. There are similar downward trends in volunteerism as well.

Putnam (2000) sees these declines as generational; older citizens continue to remain involved, while the younger generations of Americans simply do not participate in associations at all. Whether it is due to technology, time pressures and constraints, sprawl, globalization, distrust of government, disillusionment with the power of community or perhaps a change in public and character education, young people are simply not showing up.

In Bricker (1989), Kenneth A. Strike laments,

> Americans seem to have lost sight of the fact that institutions form character. We have forgotten the lessons of Plato and Aristotle, that a society's constitution, its politics, its way of conducting business, and the forms that human associations take, are also (perhaps even primarily) ways of creating people. (p. xi)

Because a democracy is centered on an active public, it cannot appropriately function without one. Paradoxically, or perhaps reciprocally, the democratic society creates the informed and responsible person, but it takes informed and responsible people to maintain the democratic society.

To reverse the current trend, it is necessary for social capital to be increased through engaging larger numbers of citizens, particularly younger citizens. More young people must become involved and active citizens in their communities. The task of creating such active citizens is, at its core, an exercise in character development in education. In short, while character education has a significant impact on the individuals receiving the education, it has an equal or greater impact on maintaining and expanding the values structure of democratic society as a whole.

So what is necessary to promote the development of character and social capital within this democracy? In the book *Civil Society*, Brian O'Connell (1999) points out that individuals are highly likely, if not assured, to be active citizens if they experience all or most of the following as youth (pp. 111–112):

1. Having a parent or other adult role model who volunteers
2. Being involved in a youth group or other secular organized volunteerism
3. Being involved in volunteering through a religious congregation
4. Being exposed to volunteering as part of a school activity
5. Seeing a respected peer volunteering
6. Being exposed to favorable media coverage of volunteering

Such experiences in childhood and adolescence enhance the work of civil society, in the short and long term, and simultaneously build character in youth.

Countless nonprofit organizations offer nearly limitless opportunities for young people to be involved with their communities and gain these experiences. These independent opportunities, in conjunction with school-related activities, can create a substantial base of character development for youths.

O'Connell (1999, pp. 107–113) further states that the actions of individuals are so important, there must be

1. preparation for citizenship at every level of education,
2. acceptance that civic engagement and understanding is a priority for all,
3. assurances that these values are passed to the next generation, and
4. an expanded role of the citizenry as the foundation of society.

These "action points" for civic engagement contain all the factors necessary to build character in youth. In a way, one hand washes the other. Character education is learned indirectly through civic engagement, while the health of civil society is maintained through the continued workings of those with character.

To view it another way, civic education and character education are two sides of the same coin; civic education is focused on creating a responsible and enlightened citizenry and a collective initiative, while character education is focused on creating responsible and enlightened individual initiative. Both, however, contribute to one another.

The burden for much of this civil and character education, to "fill the gap" in civil society, has fallen to educational institutions and nonprofit organizations. Whether such education is taught directly—through regular instruction and guidance on the subjects—or indirectly—through the initiatives created as a result of a nonprofit's mission or a school's commitment to extracurricular activities—youth must be exposed to developmental activities and ideas that will increase their chances of becoming civic minded and philanthropic adults of character.

Nonprofit Organizations and Character Education

In nonprofit organizations, character development is an intentional and vital component, directed toward the infusion of long-lasting socially positive values within a community. The role of a nonprofit organization is either to support an undersupported positive aspect of a community (local, regional, national, international) or, in the event that such a positive aspect is nonexistent or shunned, to work to change the culture of the community to accept the positive aspect. To fulfill this mission, the nonprofit organization creates opportunities for civic engagement that foster volunteerism, philanthropy, and character.

Character development is a key component in sustaining the work of most nonprofit organizations. This is true because most nonprofit organizations must form communities of interested individuals that maintain the nonprofit's cause or sustain the organization itself. If there is no community of interested individuals who have a sense of moral and civic responsibility, there will be no citizens to continue the work of the nonprofit.

In this respect, many nonprofit organizations are involved in youth character development. Programs funded or supported by nonprofits help to develop the values and morals that are integral to the development of character. Because, as stated earlier, we gain much of our sense of philanthropy and civic engagement from our childhood and adolescent experiences, nonprofit organizations do well to incorporate interactions with young people in furthering their mission.

Examples of Character Development in Nonprofit Organizations

Interest in youth takes multiple forms. Nonprofit organizations have initiatives focused on character development and others that are not, but even the latter contribute to character development in youth.

Character Development Focused

Nonprofit organizations have worked to supplement a student's formal education with both in-school and out-of-school programs that directly promote character development. These programs also allow nonprofit organizations to promote their missions and foster stewardship of our country's social capital through service, philanthropy, and advocacy.

Learning to Give (LTG, www.learningtogive.org) is a good example of a character-focused nonprofit organization that works within a school system through its curriculum. Funded initially in 1997 by the Council of Michigan Foundations and a consortium of nonprofit organizations, governmental agencies, and businesses, LTG is an example of nonprofits interested and involved in character development within schools.

LTG fosters and promotes the work of nonprofits in a direct way. Through a curriculum of more than 1,300 lessons, LTG and in turn the Council of Michigan Foundations educate K through 12 students in the areas of philanthropy, civic responsibility, service learning, and the common good (actions that benefit the community over an individual's needs). LTG includes curriculum, teacher training, and supplemental materials to support lessons, and it ties philanthropy education into state education standards and the academic achievement of students.

This process of curriculum integration allows philanthropy education to be integral to education as a whole. According to Michigan State's (2003) evaluation of LTG, the program "encourages students to develop ideas, skills, and projects that build character and instill positive attitudes and behaviors toward citizenship and toward other people in their families, neighborhoods, schools, and communities" (p. 7). LTG returns character education to public and faith-based schools as a vehicle to educate citizens in a critical aspect of democracy, civic responsibility, and to help them achieve academic success.

Another good example of how nonprofits began to supplement public education in character education is 4-H (www.4-H.org), referenced at the beginning of this chapter. Integral to the 4-H program is a curriculum based around science, engineering, and technology; healthy living; and citizenship, which shows a clear link between the organization's mission and character education. In the case of 4-H, youth character development is central to the nonprofit's mission. However, even though this organization is likely to promote best practices in character development, there may be no consensus on what youth character development looks like, how it is defined, what it entails, or how it should be approached.

Similarly, Boys and Girls Clubs (http://www.bgca.org) have programs aimed at fostering youth leadership and character development. These programs assist youth in becoming more responsible, caring, and democratic citizens. The organization implements Keystone Clubs (small-group leadership development), Youth of the Year (recognizing youth for service and academic performance), and the Torch Club (small-group community-service development) to promote character development in youth across the country.

In these cases, youth character development is the focal point for the nonprofit organization. Therefore, character education is pivotal to the missions and the sustainability of programs. In addition, these programs may create democratic social capital and build character in youth, which can then be applied to causes outside the organization's reach.

Noncharacter Development Focused

Nonprofit organizations may work with youth even though their missions are not directly connected to youth character development. Their activities may be focused on youth working within the nonprofit organization to help further its mission or may solely increase awareness and appreciation to build social capital surrounding the arts, environment, government, and so on.

In the case of the Great Lakes Fishery Trust (GLFT, www.glft.org), the nonprofit's mission is to "enhance, protect, and rehabilitate the Great Lakes fishery." In part, the trust understands that to further its mission, these actions must be generational, and today's youth must be tomorrow's watershed stewards. To that end, the nonprofit has created an educational division of the trust called the Great Lakes Stewardship Initiative, which is involved in connecting "K-12 schools with their communities to create opportunities for learning that are meaningful for students and have a lasting impact on the environment" (GLFT, 2008, p. 9). Part of the organization's interest naturally falls on ensuring that the next generation in the community will become or remain lifelong protectors of the environment.

Another example would be Americans for the Arts, which is "dedicated to representing and serving local communities and creating opportunities for every American to participate in and appreciate all forms of the arts" (www.artsusa.org/about us). One of its initiatives is Arts Education in Your Community. This joint initiative with the National School Boards Association promotes the presence and advancement of art education in American public schools. In this case, the organization's mission is to promote and sustain art. However, the sustainability of the organization requires the involvement of youth in art education. Youth involvement creates ongoing interest in the arts, builds social capital for communities, and develops character, all while furthering the organization's mission and goals.

Although youth character development is not the focal point of these organizations, the programming provided through these nonprofit organizations promotes and develops leadership and the attributes associated with good character.

Summary

Cognitive development and moral development are intertwined. Both values and morals are taught through character education. Throughout the history of education in the United States, character education has played a critical role in the development of a knowledgeable citizenry and in creating the foundation for a democratic community. As issues of relativism and separation of church and state have been critically examined, the federal government has taken a greater role in the ensuring that public education respects all cultures and focuses on students' academic achievement. As a result, character education no longer plays a pivotal role in schools, reducing the role of formal education in creating a common foundation of values that promote democracy and character.

Nonprofit organizations have worked to create in-school and out-of-school programs that promote character development either directly or indirectly. The funding of these programs allows nonprofit organizations to promote continuity from generation to generation in order to maintain stewardship of our country's social capital through service, philanthropy, and advocacy. In supporting character development of youth in their sponsorship of programs, nonprofit organizations ensure both their own continuity and the healthy state of democratic society.

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PART IV

Nonprofit Organizations and Historically Disenfranchised Groups

27

Gender Matters

Women Transforming Philanthropy

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In the past 30 years, women have emerged on the philanthropic landscape as a visible and bold presence. They are changing the face of philanthropy and are transforming society around the world. Today's reality is that women, strengthened by increasing economic power and education, are as likely as men to be philanthropists. Consider Sheila Johnson cofounder of the Black Entertainment Network, CARE ambassador, and devoted supporter of arts and education causes; Ann Lurie, Chicago philanthropist and $100 million donor to the Children's Memorial Hospital; or simply the women in giving circles around the country.

Interest in understanding how and why women give has grown exponentially, prompting researchers to examine gender issues in philanthropy from new angles. Gender in philanthropy matters because research informs us that men and women differ in their motivations for giving, their philanthropic behavior, and their leadership styles (e.g., Andreoni & Vesterlund, 2001; Brown & Rooney, 2008; Mesch, Rooney, Steinberg, & Denton, 2006; Piper & Schnepf, 2008). Research has also demonstrated that women influence philanthropic decisions in households (e.g., Andreoni, Brown, & Rischall, 2003; Brown, 2005; Rooney, Brown, & Mesch, 2007). The more we understand gender differences in giving, the more society will benefit from contributions of time, talent, and treasure by all individuals to meet today's challenges and to prepare for tomorrow's opportunities.

Historically, women have long served as volunteers in the community, sharing their time and talent to improve their community and the world. Exceptional, visionary women in American history also contributed financial resources for projects to improve aspects of society. Notable among them are Lady Anne Mowlson (Anne Radcliffe), Mary Lyon, Mary Elizabeth Garrett, and Mrs. Russell Sage, who saw a need and met it with boundless energy and enthusiasm. In 1643, Lady Mowlson endowed a scholarship fund for sons of blacksmiths and farmers at Harvard College, which had been created just 7 years earlier. Lyon was a pioneer in women's education in America, founding in 1834 the Wheaton Female Seminary, which became Wheaton College, and the Mount Holyoke Female Seminary in 1837, which became Mount Holyoke College. In a curious parallel to the United States in 2009, during the years that Lyon traveled the country raising funds for Mount Holyoke, the Panic of 1837 catapulted the country into its worst recession since its founding. Despite bank closures, Lyon persevered, believing fiercely that women should have the same educational opportunities as did men.

Garrett donated the remainder of funds needed for the new medical school at Johns Hopkins University in 1893, provided that the university would agree to admit women on the same basis as men. Mrs. Sage created the Russell Sage Foundation in 1907 for the improvement of social and living conditions in the United States, using social science research as the framework for its grantmaking. Other women philanthropists during this period contributed generously to specific endeavors across the country.

The changing sociocultural landscape in the United States since the 1970s prompted the emergence of the modern women's philanthropy movement as women gained more economic independence, achieved higher levels of education, and made strides in business, government, and the nonprofit sector.

In the 20th and early 21st centuries, women serve myriad roles in philanthropy as donors, volunteers, nonprofit organization staff, board members, foundation executives, and scholars. Today, women are as likely to volunteer their time as to contribute small and major gifts to strengthen the social fabric. Indeed, communities around the world are enriched by the rich mosaic of ways in which women contribute time, talent, and treasure to advance the common good.

The Modern Women's Philanthropy Movement

Sondra Shaw-Hardy, cofounder with Martha Taylor of the Women's Philanthropy Institute, calls the modern women's philanthropy movement "an outgrowth of the feminist movement with leaders like Gloria Steinem" (Shaw-Hardy, 2006, p. 11). Several trends emerged as distinctive characteristics of this era: development of innovative organizational models such as women's funds and giving circles led by women and involving women in leadership and staff positions; collective giving as exemplified by the giving circle model; women providing support for women's and girls' programs; and women providing support for all causes. As women's philanthropic leadership gained momentum, thousands of women throughout the country and around the globe became engaged in effecting social change for the public good, some for the very first time.

Steinem was one of the four founders of the Ms. Foundation for Women in 1972, the first women's fund in the country. Marlo Thomas, Patricia T. Carbine, Letty Cottin Pogrebin, and Steinem had founded *Ms. Magazine* in 1971 and created the foundation to distribute the magazine's profits to support the grassroots women's movement. The Ms. Foundation's mission is to assist women to govern their own lives and influence the world around them.

Following the model established by the Ms. Foundation to provide support for women and girls, other women's funds were created at the state and local level and eventually in communities around the globe. Today, more than 130 women's funds belong to an international membership association, the Women's Funding Network. With assets of more than $450 million, these funds allocated about $50 million in 2008 as investments in women and girls.

Not all women's funds invest in programs for women and girls. Some, like the Washington Women's Foundation (www.wawomensfoundation.org), provide support for all causes. Some focus on a single cause, such as Rachel's Network (www.rachelsnetwork.org), which supports environmental issues. The Women Donors Network (www.womendonors.org) supports progressive social justice causes. The myriad portals through which women can become engaged in philanthropy are one of the movement's greatest strengths.

Giving circles are another distinctive contribution by women to the philanthropic landscape. As defined by New Ventures in Philanthropy, an initiative of the Forum of Regional Associations of Grantmakers, a giving circle is a "pooled fund, often hosted or sponsored by a charitable organization such as a community foundation, through which members make grants together" (Bearman, 2007, p. 1). Shaw-Hardy, a pioneer leader in women's philanthropy, published "Creating a Women's Giving Circle" in 2000. This short booklet provided a framework for starting a giving circle and prompted scores of women in local communities to explore this form of democratic civic engagement. The popular media, picking up on the new trend, published scores of articles about the rise of giving circles and contributed to the expansion of the idea around the country. A second scan of giving circles, released by New Ventures in 2007, reported that 81% of giving circle participants were women (Bearman, 2007, p. 7).

For women, giving circles build on traditions of sewing circles, book clubs, and, more recently, investment clubs. They offer participants a safe and neutral environment in which to learn about their communities and causes and their philanthropic values and to make decisions collectively about how to improve some facet of their community or world. Coed circles and men's giving circles are on the rise, leading to a conclusion in the 2007 New Ventures scan that giving circles are not only a growing philanthropic movement but an "enduring and expanding philanthropic trend" (Bearman, 2007, p. 1).

Toward the end of the 20th century, nonprofit organizations recognized the growing power of women's philanthropy and created structures within existing frameworks to engage women more fully in organizational life. In 1988, Martha Taylor, a visionary leader at the University of Wisconsin-Madison, organized the first women's philanthropy council in an institution of higher education. Soon, colleges and universities around the country followed Wisconsin's lead and developed philanthropy initiatives for women alumnae and donors, generally within development departments. Some initiatives emphasized leadership or volunteer opportunities. Some focused on providing scholarships and mentoring to current undergraduates. Some concentrated on cultivating major gifts and integrating women into capital campaigns. While each initiative developed along distinct lines, all of the programs built networks among their women alumnae and donors, created goodwill, generated new donors, and increased gifts for their institutions.

More recently, several national nonprofits developed women's philanthropy initiatives. The United Way of America formalized its national Women's Leadership Council in 2004 with a goal of increasing annual funds raised by women donors in United Way affiliates across the country from $59 million to $100 million by 2008. In 2007, more than 100 women's councils, representing 40,000 women, raised $105 million, exceeding their initial goal by 5%. Patricia J. Mitchell, Women's Leadership Council national chair, said of the councils, "We are a powerful voice of women in philanthropy, and a powerful voice to advocate for the critical needs in our communities locally, nationally and internationally" (Mitchell, 2009). Mitchell stated that "women are the economic powerhouse of the 21st century."

At the 2009 Women's Leadership Council Summit, United Way leaders reported that the local United Way agencies with women's leadership councils in place are driving the growth of local United Ways. They are outpacing those local agencies that do not have an organized women's philanthropy program.

The same volunteer leadership that prompted the start of the United Way women's group brought the concept to the American Red Cross in 2006. Under the dynamic leadership of Bonnie McIlvain Hunter and Melanie Sabelhaus, the Tiffany Circle, a Society of Leaders, exceeded all expectations in its pilot year. The Tiffany Circle started in eight cities around the country, attracted 235 women donors, and raised three times the amount of the established goal, $3 million instead of $1 million. Despite operational differences, national nonprofits such as the United Way of America and American Red Cross have been able to generate visibility and a national brand and bring women's philanthropy to scale.

Women's philanthropy developed its own infrastructure with the creation of Women & Philanthropy in 1977, the Women's Funding Network in 1985, and the Women's Philanthropy Institute in 1997. Women & Philanthropy's goal was to increase the funding from foundations for programs that benefited women and girls. After 30 years of advocacy, Women & Philanthropy ceased operation in 2008 primarily because of lack of funding. The seeds from which the Women's Philanthropy Institute grew, germinated in 1991 when Sondra Shaw-Hardy and Martha Taylor established the National Network of Women as Philanthropists (NNWP) at the University of Wisconsin-Madison. The network served as a clearinghouse of information on women's philanthropy and was dedicated to education for philanthropists, development professionals, and nonprofit leaders. Its name was changed to the Women's Philanthropy Institute in 1997, and it became incorporated as a free-standing nonprofit. The institute became part of the Center on Philanthropy at Indiana University in January 2004.

The institute's mission is to further the understanding of women's philanthropy through research, education, and knowledge dissemination. By addressing significant and groundbreaking research questions and translating that research into increased understanding and improvements in practice, the institute helps to leverage new and expanded resources for the common good.

As part of the modern women's philanthropy movement, hundreds if not thousands of women leaders have taken all kinds of leadership roles. Deborah Tannen, professor of linguistics at Georgetown University, has demonstrated through research that how boys and girls learn to interact as children predicts their behavior as adults. "The research . . . has shown that, although both boys and girls find ways of creating rapport and negotiating status, girls tend to learn conversational rituals that focus on the rapport dimension of relationships while boys tend to learn rituals that focus on the status dimension" (Tannen, 1995, p. 140).

Marie Wilson, former president of the Ms. Foundation and founder of The White House Project, states that women lead differently than men. Wilson reports that research shows women leaders in politics "tend to include diverse viewpoints in decision making, have a broader conception of public policy, and offer new solutions" (Wilson, 2007, p. 9). In addition, Wilson says, women define "women's issues" broadly, and they "put these issues at the top of the legislative agenda—bills dealing with children, education, and health care, for instance" (Wilson, 2007, p. 10). For women, the advocacy, political, and philanthropic agendas are intertwined.

Research Helps Build a Movement

Interest in understanding how and why women give has grown exponentially since 1990, prompting researchers to examine gender issues in philanthropy from new angles. Over the past several decades, the research literature on altruism, empathy, helping, and prosocial behavior suggests that these motives and behaviors are more highly developed in women than in men. Differences in how men and women behave have been well-documented in social and behavioral sciences. Much of the empirical research across these disciplines suggests that females are more likely than males to be donors to charity (e.g., Andreoni et al., 2003; Bekkers, 2004; Kamas, Preston, & Baum, 2008; Mesch et al., 2006; Piper & Schnepf, 2008).

An Example From the Philanthropic Studies Literature

Mesch and colleagues. (2006) examined the effects of race, gender, and marital status on giving and volunteering and conclude the following:

1. Prosocial behavior is more highly developed in women than in men because of the differences in the way women are raised and the expectations that are placed on them. Women are socialized differently than men. As a result they express different attitudes about caring and self sacrifice, altruism, empathy, social reasoning, and care and well being of others.

2. Single females and married couples give more and are more likely to give when compared to single men (even when holding everything else constant such as income, education, age, and race). Single women are more

likely to be donors than single men (9% to 10% more likely). Married women are more likely to be donors than single men.

3. Women volunteer more than men. These findings are consistent across the age groups.
4. Women desire involvement with organizations to which they contribute and are more interested in effecting change with their giving.
5. Women appear to socialize men with regard to philanthropic giving.

These research findings, among others, suggest that a more proactive, strategic engagement of women in philanthropy will unleash new volunteer and financial resources for the public good.

The Impact of Marriage and Family on Women's Giving

The 2003 Center on Philanthropy Panel Study showed that married couples exhibit giving patterns that flow with the life cycle, with peak giving happening between ages 40 and 65 and dropping later in life. In contrast, the giving of donors who have never been married grows after age 65. Married couples, on average, gave more between ages 40 and 65 ($2,905) than donor couples under 40 ($1,499) and over 65 ($2,156). As the related 2003 Panel Study of Income Dynamics indicates, about four of five married couples make their charitable giving decisions jointly.

Researchers continue to explore couples' philanthropic decision-making patterns. When Andreoni and colleagues (2003) surveyed married couples, they found that charitable giving decisions largely favored the husband's preferences. When women were the decision makers, more charities received donations, but those donations were smaller.

A subsequent study by Eleanor Brown (2005) notes:

> The picture that emerges from the data is one in which mar ried women's influence over their families' charitable giving is growing. As married women's earnings and their potential earnings grow should they choose to increase their time in the labor market, women's voice in the disposition of chari table giving grows at home. Charitable organizations may wish to pay attention to these trends as they decide to whom in a couple they should pitch their requests for financial sup port; wives today may be taking a more active role in deci sion making than past experience in fundraising suggests. (p. 70)

Expanding on Brown's work on married couples' giving, Rooney and colleagues (2007) explored whether husbands or wives were more likely to determine whether and how much money to donate to educational institutions. In "Who Decides in Giving to Education? A Study of Charitable Giving by Married Couples," the researchers used the Panel Study on Income Dynamics (8,000 households) and found that men have little or no influence on the decision to give to education at all or the amounts donated to education. Conversely, women decision makers are more likely to have a positive effect on both the likelihood of giving to education and the amounts given to education. That is, women, whether deciding on their own or jointly with their husbands, have a significant effect on the decision to give to education as well as the amount given. The researchers stated, "While women may suffer from a pay-gap in the labor market, men seem to suffer from an influence gap in the philanthropic giving decision-making sphere" (Rooney et al., 2007, p. 240).

Furthermore, Ellen Remmer's (2006) study on "The Dynamics of Women and Family Philanthropy" supports the notion that "women are more likely to use a participative and inclusive leadership style" when charged with philanthropic decision making (p. 91). They also are almost twice as likely as men to agree that it's important for family members to be involved in philanthropic decisions and for children to understand that "affluence brings responsibility" (p. 91).

Directions for Future Research

Research in the field of women's philanthropy is in its infancy—and there are many more questions to be addressed than have been answered. Below are some areas of research that are, to date, underdeveloped—but will be critically important in helping to inform the field:

- What are women's patterns of giving? Does the pattern of giving change over time? Does the pattern of giving change across cultures? Are there differences between men and women in the way they give gifts? Are there different preferred gift mechanisms?
- Where do women learn their philanthropy? Are there differences in the way in which men and women are socialized in their philanthropic giving?
- What do we know about philanthropic decision making between men and women?
- How does giving among women change through the generations? In particular, what are the differences in how baby boomer and older women give from those in Generation Y and younger?
- What are the differences in motives to give between men and women? How do these differences translate into philanthropic giving?
- How do we inform women about planned giving? What language do they prefer? What philanthropic vehicles do they prefer? How do they prefer to talk about leaving a legacy?

While researchers enrich the knowledge base in the field, women donors and leaders will continue to weave the intricate and complex tapestry that has become the modern women's philanthropy movement.

Emerging Trends in Women's Philanthropy

A Subtle Shift in Message

At the same time women's funds were investing heavily in women and girls and Women & Philanthropy was encouraging foundations to leverage resources for programs that supported women and girls, the emerging microfinance loan program allowed women in developing countries to borrow small amounts of funds to develop businesses and entrepreneurial projects to support themselves and their families. The confluence of these efforts and the success the projects had in helping women gain economic independence raised the profile of the potential of women's philanthropy to address society's most persistent challenges. Sensing the momentum, women leaders in the women's funding movement began adjusting their message to reflect a broader construct of social justice, with investment in women and girls as the way to achieve that goal.

Christine Grumm, president and CEO of the Women's Funding Network, has shared this story at conferences and workshops: In the world of international development, people refer to an old saying: If you give a man a fish, they will eat for a day, but if you teach a man to fish, he will eat for a lifetime. In the world of women's funds, we think the story goes like this:

> Give a woman a fish and she will feed her family for the day. Teach a woman to fish and she will feed her family until the lake becomes polluted or they take away her fishing rights; however, give the women in the community access to capital and they will buy the lake, feed their families, keep the lake environmentally clean and have something to pass on for gen erations to come. (Personal communication, 2007)

One example of a comprehensive program that focuses on the return on investment in women and girls is "the girl effect," created by the collaboration of the Nike and NoVo Foundations and catalyzed by a $100 million 3-year grant (www.girleffect.org). The NoVo Foundation is funded by investor Warren Buffet and chaired by his son and daughter-in-law, Peter and Jennifer Buffett. In announcing the partnership, Peter Buffett stated,

> Investing in the girl effect offers the potential for tremendous economic impact, which leads to more stability, less poverty and more opportunity for economic growth. Just one compo nent of the girl effect the increase on family income associ ated with an additional year of a girl's education nets more than a 40 fold return according to conservative calculations. (Nike Foundation, 2008)

Kofi Annan (2002), former secretary-general of the United Nations, summarized women's potential in this way: "When women are fully involved, the benefits can be seen immediately: families are healthier; they are better fed; their income, savings, and reinvestment go up. And what is true of families is true of communities, and, eventually, the world."

Increasing Visibility and Raising the Bar

In partnership with the Women's Funding Network, sisters Swanee and Helen LaKelly Hunt formed the Women Moving Millions campaign in 2007 to help women's funds build capacity and become more sustainable. The concept was simple: invite 100 women to give $1 million each to raise $150 million for women's funds around the world. The Hunt sisters, daughters of the oil tycoon, H. L. Hunt, contributed the first $10 million for this effort. As of December 2008, the campaign had raised $110 million toward its $150 million goal. By April 2009, despite the harsh economic climate, the campaign exceeded its goal by 16%, raising $174 million. In setting the threshold at $1 million, the Hunts wanted to raise the profile and expand the visibility of women's philanthropic contributions.

In a similar fashion, following her contribution of $30 million to the Carnival Center for the Performing Arts in Miami, philanthropist Adriene Arsht allowed her name to be put on the center because "when people see a name attached, they are more likely to be inspired to give at whatever level they can" ("The Philanthropy 50," 2009, p. 33).

Women and the Rapidly Expanding Field of Family Philanthropy

Family philanthropy as expressed through organized family foundations and direct gifts to nonprofits is growing rapidly. Women's roles are as diverse and dynamic in family philanthropy as they are across the nonprofit spectrum, with women serving as donors, founders, staff, board members, and volunteers for family foundations. Remmer (2006) suggests research questions to address the paucity of empirical knowledge in this area such as the role of gender in intergenerational dynamics and relationships to wealth—whether earned, married, or inherited.

Women's Philanthropic Behavior as a Benchmark for Future Giving

Center on Philanthropy researchers explored whether there might be gender differences in giving by generation. Recognizing that women's roles in society have changed in the past 50 years, researchers conducted a national survey in the spring of 2007 about giving in 2006 to examine theses issues (Brown & Rooney, 2008). Before controls, they found that boomer women (those born between 1946 and 1964) gave the most to charity whereas millennials (those born between 1980 and 2000) gave the least. Boomer women gave more than boomer men ($2,129 versus $1,847) (Brown & Rooney, 2008).

Additional results from the survey after controls include the following:

- Gen X (born between 1964 and 1980) women and great generation women give more to religion than Gen X men, boomer men, and silent generation men (born between 1926 and 1945).
- Women, especially millennial women, respond to an "improve the world" message.
- Boomer and older women (but not Gen X or millennials) are more likely than boomer men to respond to a message of "responsibility to help others."
- Women are less likely than men to respond to the messages "to improve the community" and to "provide services where the government can't/won't."
- Boomer women respond well to the message "to help those with less."

This study implied that men in Gen X and the millennial generation seem to be thinking more like women rather than women thinking more like men. It also portended the possibility that generational differences, which are clear among older generations and baby boomers, may narrow or disappear in younger generations. This may be because younger men and women are more likely to have similar life experiences than did men and women of earlier generations. As younger women become more likely to earn more, to get a college education, and to join the workforce, and as younger men and women become more alike in other ways, some researchers speculate that their giving may become more alike as well.

Women's Leadership in Global Philanthropy

Women have emerged as philanthropic leaders in countries around the globe. The Global Fund for Women, an activist grantmaking organization based in California, makes grants to support women's groups throughout the Global South. Established in 1987 by Anne Murray Firth, the Global Fund for Women (www.globalfundforwomen.org) funds human rights issues in six key areas: ending gender-based violence and building peace; ensuring economic and environmental justice; advancing health and sexual and reproductive rights; expanding civic and political participation; increasing access to education; and fostering social change philanthropy. The Women's Funding Network counts member funds from around the globe among its members, including Mama Cash, the oldest international women's fund, which was founded in 1983 in the Netherlands.

Some women's initiatives around the globe focus on specific issues. Zainab Salbi founded Women for Women International (www.womenforwomen.org) in 1993 to help women in conflict and postconflict environments rebuild their lives. Other efforts, such as the Women's Fund in Turkey and the Central American Women's Fund based in Nicaragua, address broader issues that challenge women.

Women's Fund Addresses Issues in Turkey

The Women's Fund is the first institutional grant program in Turkey that provides resources to women's organizations on a project-by-project basis. The fund was established by the Women Entrepreneurs Association of Turkey (KAGIDER) to mobilize funds from national and international communities and to make charitable contributions to women's organizations working toward women's economic, political, and social empowerment and enhancement of gender equality in Turkey. Since its establishment 4 years ago, 17 women's organizations have been granted funds with more than 300,000 euros. The projects supported by the Women's Fund, have provided target women with vocational training, psychological and judiciary consultancy services, day care services and entrepreneurship opportunities. The fund also has supported movie-making and local radio programs on women's issues, as well as initiatives promoting women's participants in local administrations. KAGIDER has recently identified combating violence against women as a program area because violence against women is a serious problem in Turkey. Turkish women still face the prospect of being murdered to protect family honor. Under its "Stopping Violence Against Women" program, the fund supports projects designed to provide safe places for women whose lives are in danger, to establish women's shelters, to initiate campaigns on violence against women, to counsel victims of violence and to empower women economically.

One of the Women's Fund grantees is KA-MER, founded in 1997 in Diyarbakir, which espouses personal empowerment, social participation, and the value of developing a grassroots movement for sustainable social and political change. KA-MER continues to contribute to improving the status of women in Turkey by empowering women at the local level, building the grassroots networks that serve as a watchdog for women's human rights, and lobbying and advocating at the state level for better policies and enforcement of positive legal reforms. Violence against women is difficult to eradicate. It is fueled and perpetuated by unequal power relationships and deeply entrenched ideas about gender relations. But in Turkey, thanks to this kind of effort, the issue has come out from behind closed doors and is now squarely in the public arena. KA-MER, together with other women's organizations, helped initiate social transformation.

Central American Women's Fund Advances Women's Human Rights

The mission of the Fondo Centroamericano de Mujeres (FCAM) (Central American Women's Fund) is to mobilize resources to advance women's human rights in Central America by providing grants to women (especially young women) who lead grassroots groups committed to this mission. FCAM (www.fcmujeres.org) is the first and only fund based in the region that mobilizes resources for women's organizations working to defend and promote women's human rights in Central America. In addition to providing grants, FCAM offers capacity-building activities to grantees to ensure their sustainability. It prioritizes women's initiatives that address new or controversial themes, use innovative strategies, have little access to other funds, are located in rural or underserved areas, or support the most marginalized women of the region. Currently, FCAM has 82 grantees in six Central American countries: Belize, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

Challenges in the Field

The modern women's philanthropy movement has blossomed, cultivated by grassroots efforts and nurtured by the determination and perseverance of individual leaders. Yet, the challenges facing the movement today are much the same as they have been throughout the past 30 years and may be categorized as: a perception that gender does not matter in philanthropy; barriers perceived by women donors and expressed by fundraisers; underresourced investments; development of a construct parallel to mainstream philanthropy; and the difficulties in bringing efforts to scale.

Perceptions and Reality About the Role of Gender in Philanthropy

As Lisa Witter and Lisa Chen state in their 2008 book, *The She Spot: Why Women Are the Market for Changing the World—and How to Reach Them,* "women are not a niche audience. They are *the* audience" (p. xv). Not everyone has recognized women's socioeconomic achievements in the 21st century, and not everyone has embraced the return on investment when women join the philanthropic table. The facts are clear: Women control over half of the total wealth in America, and they are projected to inherit, control, and manage much of the wealth in the future. About 43% of the nation's top wealth holders (individuals with assets of $1.5 million or more) are women, according to Internal Revenue Service (IRS) figures for 2004, the most recent year for which data are available. Assets of these 1,173,000 women were valued at $4.6 billion.

Women give, and they give significantly. Women are committed donors who care deeply about the causes they support. Women approach giving differently than men. When organizations and their leaders recognize that gender matters and invest in infrastructure to attract women donors, they will enrich their ability to fulfill their mission for the long term.

Barriers Perceived by Women Donors and Expressed by Fundraisers

Many women donors experience some barriers in regards to philanthropy. These may include the following:

- Women don't think of themselves as philanthropists.
- Women don't feel ownership of the family money.
- Women who did not "earn" wealth but received it through inheritance, marriage, or divorce may not feel it is theirs to dispose of as they would choose.
- If women have "earned" their wealth, they are likely more financially literate and more confident philanthropists.
- Women are afraid of outliving their resources. (Barriers include fear of outliving money, health crises, disability, bag lady syndrome, family issues.)
- Women have just made money and feel it might not be there tomorrow.
- Women want anonymity.
- Women's financial advisers don't encourage them to give to charitable causes.
- Women aren't asked to give.

Over time women donors can overcome these barriers with education, networking, and learning from others.

Barriers also exist in the fundraising and organizational arenas. Some fundraisers have suggested that because it takes longer to cultivate women as donors, it is not worth the investment. Some development offices function in a male-centered culture without women in major leadership positions, limiting opportunities for women to contribute their voice to the conversation. And, in some places, there is little organizational commitment to women's philanthropy.

Deliberate and strategic plans can help overcome these barriers.

Underresourced Investments

In the past 15 years, some women's philanthropy initiatives, particularly in higher education, have collapsed due in part to being underresourced and, in part, to not being institutionalized. Working with women's philanthropy initiatives requires investment of human and financial capital. All too often, the staff person responsible for the initiative also is responsible for other areas and cannot dedicate enough time to build the volunteer leadership base, to generate marketing and communication programs, and to focus on capacity. Initiatives also suffer when they are not institutionalized in that they are not part of the organizational fabric. This occurs most frequently when an individual staff member takes ownership of the program and fails to integrate it into the organizational culture.

Development of a Construct Parallel to Mainstream Philanthropy

The modern women's philanthropy movement has been powered and led by women. The framework that supports women's philanthropy created many new professional and volunteer opportunities for women to assume leadership positions. At the same time, the modern women's philanthropy movement developed to a large extent outside of mainstream philanthropy, creating a parallel construct. This is not new. Historian Kathleen D. McCarthy has described in several articles the "parallel power structures" that 19th-century American women created when they were excluded from the male-dominated institutions (McCarthy, 1990, 1994).

Although the long-term implications of this parallel universe are uncertain, several issues have surfaced. First, despite significant efforts to raise the profile of women's philanthropy, it is not yet fully embraced by the entire philanthropic community. Second, the field is underfinanced from both fundraising and grantmaking perspectives. While it is impossible to put a total dollar figure to the amount women have raised and allocated annually in women's funds, giving circles, and agency initiatives, the amount pales when compared to the amount the largest foundations in the United States allocate annually. Third, mainstream philanthropy has not benefited from the innovative and creative vision and voices of the women who created the parallel universe. And, finally, the complex challenges facing the United States and the global community today—children's issues, education, health care, poverty—are exactly those that women have taken to their hearts throughout time (Wilson, 2007, p. 10).

Bringing to Scale

The kaleidoscope of philanthropic opportunities available to women in the 21st century is also a challenge to creating a unified movement. The tension between women's funds supporting programs for women and girls and those supporting all causes inhibits collaboration. The multiplicity of organizations addressing similar causes in different geographic regions limits scaling up. How might the 100-plus women's funds in the United States collaborate to address issues of poverty and economic development for women? Financial constraints prevent ramping up as well.

Summary

The richness of the modern women's philanthropy movement is characterized by the many ways in which women are engaged in advancing the public good; the distinctive leadership styles women bring to problem solving; the individual and collective giving opportunities women seek; and the common goal to leave the world a better place. Throughout history, women have contributed time, talent, and treasure to enriching their communities, their cities, and the world. If, as Patricia Mitchell, United Way of America Women's Leadership Council chair, stated "women are the economic powerhouse of the 21st century," then indeed women's philanthropy will be at the forefront of social change around the globe in the future (Mitchell, 2009).

As the role of women in society continues to evolve and as women move more from the sidelines to front and center at the philanthropic table, women's philanthropy may be among the biggest growth areas in the field. Research suggests that women's philanthropic behavior may become the norm for both gender and generations. Given the potential, this emerging trend in nonprofit leadership, which has yet to reach its "tipping point," will be increasingly important as fundraisers seek new resources, search out a broader diversity of leadership, and look to engage new volunteers in their missions. The next generation of nonprofit leaders should be well grounded in the rich history and multidimensional facets of women's philanthropy.

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28

Women's Leadership in Philanthropy

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Women have provided leadership in philanthropy over the years by giving money, time, and themselves to causes they have identified with and in which they believe. Their leadership has included various aspects of the philanthropic landscape, including leading efforts for advocacy, direct service for individuals, politics, social services, education, religion, the arts, health care, and research. Women have many roles within their philanthropic activities—they may be donors, professionals within the nonprofit sector, fundraisers, development leaders, and entrepreneurial creators and responders to societal needs. Over the years women's leadership in philanthropic endeavors has improved the lives of individuals and improved communities throughout the world.

Women are active in philanthropy when they take on leadership roles within the nonprofit sector. They may work in corporations, leading the companies' corporate philanthropy and helping to make decisions regarding the disbursement of funds. Many lead or have established foundations designed to distribute wealth for various causes, such as to promote health research or girls' education. Within these foundations, they also serve as executives, who lead and set policy for the organization's giving programs. Women may also work in nonprofit organizations promoting philanthropic goals.

Also common today are women joining forces with friends, relatives, and neighbors to collectively distribute financial assets through giving circles and clubs. Often, women play one or several of these roles at the same time. Thus, the role of women in philanthropy is a complex set of expectations and roles that may change over time.

Historical Aspects of Women's Leadership in Philanthropy

In 2005, Walton said:

> Despite the long list of women's philanthropic engagements, until recent decades women have been virtually absent from dominant accounts of U.S. philanthropy. . . . As has been the case in many other fields, women were written out of the his tory of philanthropy by virtue of what "counted" in the minds of those who wrote the conventional histories. (p. 2)

She notes, however, that within the last 20 years, scholars have begun to address this lack of scholarly work regarding women's philanthropic contributions. She concludes that substantial work remains to document and explain women's philanthropic behavior (Walton, 2005). McCarthy (2001) states that women have been involved in philanthropic activities since the 18th century, especially by helping the poor and disadvantaged populations. McCarthy (1990) concludes,

> What is clear is that giving and voluntarism have traditionally provided and continue to provide the means through which women have grasped, wielded, and maintained public power not only in America, but overseas as well. As such, philanthropy lies at the heart of women's history. (p. xi)

Philanthropy can be traced as far back as the ancient civilizations of Greece, Rome, and the Middle East. However, women's philanthropic roles within these societies are difficult to ascertain, even though women's role and leadership in philanthropy can be traced back to the ancient times of recorded history. In fact, the word *philanthropy* stems from Greek. A Greek woman named Menodroa donated 300,000 dinarii for support of orphaned children. She also gave wheat away to her fellow citizens. Another woman named Atlanta, from Asia Minor, distributed wheat during famines. She also gave gifts to the poor and was generous with loans to her fellow citizens (Constantelos, 2009).

During the Middle Ages, Constantelos (2009) says, "The examples are many of [Greek] women . . . who dedicated their lives to works of philanthropy and social betterment" (p. 6). The idea of philanthropy was an ideal that Greeks incorporated into their early culture, and it continued over the years. During the Christian Byzantine period, women were ordained as deacons, and part of this role was to lead and participate in philanthropic endeavors. Also, Theodora, wife of Emperor Justinian, was known for her leadership in thoughtful efforts to assist others. She was also known for using her own wealth to build a reformatory for troubled girls (Constantelos, 2009).

Examples of women's philanthropic work can be found throughout history within many societies. Argentinean women have played vital philanthropic roles in their nation for more than 200 years; specifically, through charitable giving through the Catholic Church (Viladrich & Thompson, 1996). Throughout history, Dutch women have been significant donors of their time due to their role in society as housewives. Dutch women were expected to give their time to volunteering for philanthropic efforts because they were not a part of the labor force (Plemper, 1996). Research on the role of women's philanthropy in India indicates that even though Indian women were of low socioeconomic status, they made significant contributions to Indian society. Women in India volunteer for social welfare and development agencies such as the Red Cross and the YWCA (Young Woman's Christian Association). They also work in nonprofits and have created women-only organizations to address the needs of the underprivileged and the disabled in the society (Sundar, 1996).

As early as 1643, women's philanthropic giving has been documented in the American colonies, as the wealthy Ann Radcliffe donated to the first scholarship fund at the first colonial college, Harvard University. This fund was created to give financial support to students whose families did not have the resources to support their enrollment and graduation from college. What was quite remarkable about this gift is that it inspired others to contribute to higher education. People at all income levels—farmers, artisans, and colonists whose sons had benefited from Radcliffe's generosity—all began to contribute. In 1651, these colonists began to collect grain to send to the college, and it was called the "corn tax" (Spain, 2001). Thus, citizens were directly supporting and encouraging education. This tradition has continued today, with many women donating to assist in the education of students who are outside of their immediate families (Gaudiani, 2006).

Other early women philanthropists include Mary Elizabeth Lange, who in 1827 founded a Catholic religious order, the Oblate Sisters of Providence, with the goal of educating African American children. She was a Haitian immigrant who believed that black children should be educated and that they could become teachers. She encouraged others to donate to her order in support of the education of black children. This order continues to this day, and it recently received a major contribution from Camille Cosby, wife of comedian Bill Cosby, who was educated by this order (Gaudiani, 2006).

Over the years, scholars and others have been concerned about the role and impact of wealthy women's philanthropic endeavors. Odendahl (1990) elaborates on this by arguing,

> American women of wealth are both privileged and subordinate. They have less power than the men of their class, yet they have more authority and status than most people because of their connections to powerful men, their philanthropy, and their money. . . . Rich women are in a position to exploit other women, as well as working and middle class men, but their status is lower than that of their fathers, husbands, and brothers. (p. 100)

However, in recent years, women have taken control of their wealth and are now becoming less dependent on their husbands and other family members.

Thus, the modern women's philanthropy movement evolved as women became more economically independent, and this was reflected in expectations regarding the changing role of women. Davidson (n.d.) notes that 50% of the investment wealth in the United States is owned by women. This wealth and the consequential independence for women is the result of employment and changes in marital tax laws. Prior to this, women's giving was often based on their husbands' or families' wealth. In addition to a long-standing tradition of volunteering, women began to donate financial resources in support of philanthropic causes. It became apparent that both of these forms of giving back had an impact on their communities and the larger society (Shaw-Hardy, 2006). Next, women began to establish women's funds, which focused on helping women and girls gain economic independence and deal with domestic and other types of violence (Shaw-Hardy, 2006).

In 1977, corporations and philanthropic foundations began to work on securing funds for women and girls, and to this end, Jing Lyman began the Women in Philanthropy group. The objective of this group is to increase positive changes in the philanthropic giving of women. It focuses on leveraging the power of women and girls in creating a just and peaceful world. In addition, the first modern women's foundation to focus specifically on women and philanthropy was begun by Tracy Gary, who is one of the heirs to the Pillsbury fortune (Marchetti, 2000). In 1985, the Women's Funding Network was founded to connect various women's funds (Shaw-Hardy, 2006). Gary also consulted and advised women to educate them regarding their financial planning and philanthropic giving.

Women began to organize their philanthropic giving with friends and acquaintances by creating and joining circles and clubs that are now common throughout the United States, such as one called the Women's Giving Circle of Marinette (Wisconsin) and Menominee (Michigan) Counties. This giving circle has 75 members and is located in two counties on the Wisconsin and Michigan border. It recently received an anonymous donation and is now focusing on projects that support women interested in starting and growing their own businesses, gaining additional education, or obtaining safe and affordable child care. Nonprofit, volunteer, and charitable organizations are invited to apply for these grants ("Women's Giving Circle," 2009).

Several authors have focused on women and their philanthropic giving, such as McCarthy (1990) and Theresa Odendahl (1990), and Ann Castle compiled a bibliography of books and articles that focus on women and their giving (Shaw-Hardy, 2006). In the ensuing years, many books and research publications have focused on women and their roles as philanthropists. The academic journal, *Voluntas,* devoted an entire volume to women and their philanthropic giving across societies around the world.

In recent years, extensive focus has been given to women's leadership in philanthropic efforts. This grew out of concerns regarding funding for women's and girls' causes. Also, women were stereotypically perceived as being less philanthropic than men. This was especially evident when fundraisers addressed men rather than women, even when the money belonged to the women. In 1992, a conference was held in Racine, Wisconsin, to address issues related to women and philanthropy. Fifty leaders from across the United States addressed issues regarding women and philanthropy and studied how to promote giving among women.

Davidson (n.d.) notes that currently women's philanthropy is concerned with several factors. These include

> effective methods to raise money for targeting causes; the means to build lasting relations with donors; ways to expose potential donors to women's issues; focusing funds on issues specifically pertaining to women and girls; and working for change through philanthropic endeavors. Furthermore, lead ers in the philanthropic community are influencing public pol icy, lobbying for selected causes, testifying in Congress, and generally raising awareness about issues of concern to women from all ethnic, racial and demographic backgrounds in their capacities as chairpersons of women's funds, private philan thropies, and corporate philanthropic initiatives, and as non profit leaders and board members. (Davidson, n.d.)

Discussion

Women have advanced substantially in their leadership of philanthropy. The women who give money and time as girls and young women are more likely to follow these giving patterns throughout their lives.

Motivations for Giving

When studying women's leadership in philanthropy, it is imperative to understand why women give, why they play leadership roles in terms of their philanthropic giving, and the role that altruism plays in the process. Curti (1961) notes that philanthropy is often used to address issues and problems not adequately provided by the government. Thus, a motivation for women's giving is to help fill this gap. An example is helping to meet the needs of the poor within a society. In a study about altruism, Piliavin and Charng (1990) conclude that "theory and data now being advanced are more compatible with the view that true altruism—acting with the goal of benefiting another—does exist and is a part of human nature" (p. 27).

Women have many motives for giving. In 1995, Shaw-Hardy and Taylor suggested that there are six "Cs" regarding women's motivations for giving. These include a desire to create, change, connect, collaborate, commit, and celebrate giving. Clary and Snyder (1995) found that motivations for giving include several psychological reasons related to self-esteem, guilt, and promotion of one's career, as well as serving others. Ostrander and Fisher (1995) say that women philanthropists want to know the cause for which their financial gifts are being solicited and to emphasize their support and helpfulness to their community.

Truett (2004), in her study of donor motivations of women philanthropists, groups motivations into six categories. These include direct personal experience, financial ability, passion for the cause, social change creation, community building, and learned behavior. She defines direct personal experience as when women donate to organizations that once benefited or helped them. Truett's second category of motivation is having the financial ability or available disposable income to make financial philanthropic contributions. The third category is having passion for the cause. Women are more likely to donate to causes about which they are passionate. Truett credits a fourth motivation for giving to create social change. Women are more likely to give to causes that generate or bring about social change; especially because women have been marginalized members of society throughout history. Building community is an explanation for motivation that shows that women like to collaborate. Finally, women are motivated to give because giving is a learned behavior through tradition (Truett, 2004).

Role of Women Philanthropists

The Changing Role of Women

Philanthropic work has been an integral part of the role of women over the years. This role has changed throughout history as women joined the workforce in vast numbers. The result is that they now have their own money to give to philanthropic causes that are important to them. Girls are being socialized into the role of philanthropists as they grow up. Over the years, girls have been expected to volunteer during their high school as well as college years. In fact, volunteering and helping out in the community are often criteria for entrance into college and university programs. Thus, the expectation of contributing to one's community and society is often engrained at an early age.

Another fact that will change the landscape of women's leadership in philanthropy is that the largest transfer of inherited wealth will occur in the next 20 years. It is expected that a huge amount, trillions of dollars, will change hands from one generation to the next. Some of this money is expected to go toward philanthropic giving (Gutner, 2000). Considering this, as well as women's increasing earning power, several organizations have focused on educating women to give them confidence in the philanthropic process of giving. As Kathleen McCarthy (2001) notes, in the past, women were often invisible in their giving. Giving would often be in their husband's name, and the donations would be to his favorite charity. Even after the husband died, some wives continued their giving to their husband's charity, often working against their own values and beliefs.

Other factors such as stereotypical beliefs also complicate matters (Capek, n.d.). Often, fundraisers and development officers discussing a prospective gift with a married couple focused their attention on the man rather than talking to the couple, assuming that the wealth belongs to the husband. Women have even complained that eye contact was often directed toward the man rather than the woman. This leads philanthropic leaders such as Tracy Gary to say that women must learn to be in command of their financial assets and insert their views regarding philanthropic giving. Gary also says that women must learn to use and manage their money for the social good (Marchetti, 2000).

As noted earlier, philanthropy has been an important part of the role of women for a long time—for example, volunteering and providing leadership for various community and social events such as the Parent Teacher Association (PTA). The role expectations included providing leadership for civic organizations such as for the Girl Scouts or for the local 4-H club, all designed to help socialize children by giving them skills that were designed to contribute to their societies.

Demographic factors also play a role in women's giving of their time and money. A study by Eschholz and Van Slyke (2002) found that women with higher levels of education were more likely to give money and to volunteer than those with lower levels of education. Mesch and Berentes (2008) note that educated, wealthy, and older women are more likely to give time and money than their less educated, poorer, and younger counterparts.

In recent years, as women's employment status and wages have gone up, they are increasingly making financial contributions to numerous causes. As women's earning power continues to increase, this will promote more philanthropic giving among women and contribute to women taking on more leadership roles within the philanthropic sector of the economy. As more and more women joined the workforce, philanthropic activities became part of the role of businesswomen, with women expected to volunteer or contribute financially to various causes often selected by the company. Thus, businesswomen are increasingly becoming active in philanthropy as their positions and wages rise. Most businesses within the United States see philanthropic activity as an important part of their role in their communities. Some companies even require philanthropic contributions from their workers (Jasper, 2006).

In 2000, the National Foundation of Women Business Owners conducted a survey and found that those women who gave the most money also volunteered the most. This is an interesting correlation, showing the relationship between giving time and giving money. Interestingly, they found that women business owners who gave $10,000 or more per year volunteered an average of 22 hours per month. Those business owners who gave less than $5,000 a year volunteered just 7 hours per month (National Foundation for Women Business Owners, 2000). Thus, as women become more successful within the business world, they are more likely to contribute time and money.

A 2003 study by Robert J. Williams analyzed the role of women serving on corporate boards. It was theorized that by serving on corporate boards, women would have an impact on the corporation's philanthropic plans. The findings indicate a link between the number of women serving on corporate boards and corporate giving. Corporate boards with more women are more likely to have a strong commitment to giving.

Working and Leading Philanthropic Activities: A New Role for Women

Even though women have increasingly taken on leadership roles within the philanthropic sector, women still have fewer board of director memberships. An interesting finding by Bradshaw, Murray, and Wolpin (1992) is that the more women on the board of directors of an organization, the more likely it is to be a low-prestige organization. However, this may change as more and more women take on these types of roles.

Another relatively new role for women is in the area of fundraisers for philanthropic causes. This is a role that up until about 30 years ago was dominated by men. In fact, within development departments, men still dominate in this role. Women are also actively working in the nonprofit sector. Preston (1990) notes that these jobs pay about 15% to 20% less than similar jobs in the for-profit sector.

Women's Role in Creating Foundations

Women are creating and establishing foundations to support their giving. For example, the founders of the Vera Bradley Company, a luggage company, established the Vera Bradley Foundation for Breast Cancer to fund studies to research the causes and treatment of breast cancer.

Another foundation, called the Three Guineas Fund, was founded in 1994 by Catherine Muther, the former head of marketing at Cisco Systems, a networking equipment supplier. She left the company after about 5 years with millions of dollars in stock. She then became what is called a venture philanthropist. In that role, she takes part in the causes she supports. The Three Guineas Fund promotes economic equality for women and girls by working on health care literacy education and self-esteem. It also invests in new companies and organizations that have little capital.

The Body Shop Foundation was started in 2000 by Anita Roddick, the owner of The Body Shop. It focuses on human rights and animal and environmental protection. It gives a biannual Body Shop Human Rights Award in recognition of those who help eliminate child labor and assist children with education.

Women's Support of the Arts

Traditionally, wealthy women often donated money to support the arts, and this type of giving became stereotypically associated with the wealthy. Although women give to many other types of organizations, the arts are still an important part of their giving. Brooke Astor (1902–2007) was a New York City high-society philanthropist who donated wealth from her husband to the arts and cultural institutions of New York City. She was awarded the Presidential Medal of Freedom in 1998, the highest U.S. civilian honor, for her philanthropic endeavors. She lived by the quote, "Money is like manure, it should be spread around" (Huguenin, Lisberg, & Goldiner, 2007).

Different Types of Women's Philanthropic Endeavors

Women's Philanthropic Care for Children and Others

The care of and concern for others continues to be an important part of the role of women, and it has been integrated into their leadership of philanthropic giving. This includes leadership roles in the creation and promotion of many nonprofit organizations addressing care and other issues for women. Women of all ethnic and religious backgrounds have led work to reform societal issues; for example, working on moral issues such as the abolition of slavery and civil rights for all people.

An example of this is Mildred Robbins Leet, a New York real estate businesswoman, who in 1948 cofounded the United Cerebral Palsy foundation while still in her twenties. She also cofounded with her husband, Glen Leet, an organization called Trickle-Up, which is an international nonprofit focused on helping the poorest people in the world. Trickle-Up helps the poor start their own businesses. More than 100,000 businesses have been started through assistance by Trickle-Up.

Another philanthropist who has promoted the well-being of children is Pleasant Rowland, the creator of a doll collection called the American Girl. She supports the Pleasant Company's Fund for Children, which provides grants to enhance children's education in the arts, culture, and the environment. She also gives generously to the Madison Children's Museum in Madison, Wisconsin, and has donated hundreds of thousands of books to nonprofits. At the international level, she supports Kids in Distress Situations, which assists poor children throughout the world.

Helen Johnson-Leipold, chair and CEO of Johnson Outdoors and Johnson Financial Group divisions of S. C. Johnson Company, founded the Next Generation Now, which supports issues related to child development and family support.

Women's Philanthropic Work Related to Civil Rights and Community Issues

Davidson (n.d.) notes that women philanthropists have been concerned with civil rights, and this has led to organizations designed to help address these issues. Davidson describes two organizations that are designed to assist women in their giving role. The Women of Color Fundraising Institute offers training programs to grassroots women's organizations. The Sister Fund also works with grassroots women's organizations, addressing women and girls' issues.

Jane Addams (1860–1935) was the first woman to receive the Nobel Peace Prize, honoring her work with immigrants. She cofounded Hull House in Chicago in 1889. This house was designed to educate the immigrant neighborhood about services and culture.

Women and Ethnic and Religious Philanthropy

Most ethnic groups in the United States have their own specific philanthropic endeavors. This is true for African Americans, Native Americans, and Hispanics. Religious groups, whether Catholic, Protestant, Muslim, Buddhist, or Jewish, have their own philanthropic organizations. In all of these religious sectors, giving is an important part of their belief systems and values. Women within all of these traditions have donated time and money to their religious groups and to causes supported by their religious group. For example, most major religious groups have specific funds to support their social services work along with international aid to people in need throughout the world.

Within the Hispanic tradition, several women have donated their time and money to improve the lives and communities of their fellow Hispanics. One of these Hispanic female philanthropists is Juanita Gonzales, who advocated for civil rights for Hispanics, better education for children, and better employment for adults. She encouraged children to graduate from high school and go on to achieve a college education. She also worked to encourage Hispanics to vote. She was able to receive financial support for new schools and community development in her Midwestern town (Taylor, 2005).

Madam C. J. Walker (1867–1919) became the first African American woman millionaire in the United States by establishing a hair care and cosmetic company in 1908. She supported education and the well-being of African Americans with her philanthropic giving.

Women's Philanthropic Work Related to Health Issues, Health Care, and Research

Many women have worked to improve health care throughout the world. For example, in the 19th century Dorothea Lynde Dix (1802–1887) fought for the humane treatment of the mentally ill and opened hospitals that provided care for them. Florence Nightingale (1820–1910) devoted her life to educating nurses and improving health care throughout England and other countries. Eileen Fisher, who founded a women's apparel company, gives 10% of her pretax profits to her employees, along with other generous benefits such as education and wellness benefits. She also supports organizations that promote the well-being of women through improved health care and education (Profeldt, 2003).

Elizabeth Fry (1780–1845), a 19th-century English philanthropist, worked to reform the conditions of women's prisons. She also worked to improve the hospital system ("Elizabeth Fry," 2009). These are just a few examples. There are many more accomplished women philanthropists throughout the world. All of these women have given their time and money to various well-known causes.

Women in Educational Philanthropy

Women have been leaders in educational philanthropy throughout U.S. and world history. Walton (2005) states:

> Since at least the early 1800s, U.S. women have participated in shaping education through philanthropy. They have supported institutions in which education occurs formally, from preschools and kindergartens to colleges and universities, and they have been influential as well in institutions and settings that foster more informal modes of education, sites ranging from the museum and the church to the charity organization. Indeed, by volunteering their time and donating both money and gifts in kind, women have fashioned careers as philanthropists and edu cators, have used education to promote social change, and have been instrumental in establishing and sustaining a wide array of institutions where education occurs. (pp. 1 2)

Sara Martinez Tucker chairs the Hispanic Scholarship Fund, which is designed to assist Hispanic students with scholarships, so that they can attend and graduate from college. She has raised more than $30 million from corporations for scholarships for Hispanic students. Her goal is to increase the number of Hispanic students who earn college degrees (Taylor, 2005). Darla Moore gave millions of dollars to the University of South Carolina, which then named its business school after her (Darla Moore School of Business, 2009).

Women's Leadership in Funding Women's and Girls' Programs

Several charitable organizations that focus on the well-being of women and girls have been established at the community, regional, national, and global levels. Some examples of these organizations include Global Fund for Women, Ms. Foundation, New York Women's Foundation, Women's Funds at Community Foundations, and Women's Funding Network.

Global Fund for Women was established in 1987 with a mission to address the lack of funding available to women activists worldwide with the creation of a global foundation dedicated to their support. Since then, the Global Fund for Women (2009) has granted more than $47 million to 3,000 women's groups throughout the world.

Ms. Foundation for Women (2009) actively works to bring race, class, age, and sexuality to the center of feminist organizing and to bring a gender lens to the center of broader progressive organizing. The organization fosters alliances among women's organizations and other social justice groups to strengthen and expand the breadth and power of social justice movements.

New York Women's Foundation (2009) was founded in 1987 as a public philanthropy to be a voice for women and a force for change. The foundation combines hands-on philanthropy with community-driven projects to address the needs of low-income women and girls. The foundation builds partnerships among women who have the resources to give and women who are overcoming the challenges of poverty.

Women's Funds at Community Foundations funds only women's and girls' programs. The Women's Fund of Central Indiana (2009) raises money from women in the community and distributes grants to nonprofits that directly serve the local community. A Fund for Women (http://www.madisoncommunityfoundation.org/home/), at the Madison Community Foundation in Wisconsin, focuses its effort on education, employment, and self-esteem of women and girls throughout the community.

Women's Funding Network (2009) was founded 40 years ago. Despite growing interest and activism around opportunities and human rights for women and girls, there were no funding organizations dedicated to women's leadership and causes. Now, the Women's Funding Network consists of 133 such organizations called women's funds—in the United States and across the globe—all championing investment in women and girls.

Future Directions

Women's leadership in philanthropy will continue to expand as girls and women are educated about the benefits of giving. Recent educational programs have been developed to teach girls about philanthropy. In addition, women have been creating their own wealth, as well as inheriting it from their husbands or perhaps from their family of origin. Women also often outlive their husbands. Recently, half of the nation's wealth is in the hands of women, and this percentage is expected to grow to 60% by the year 2010 and perhaps as high as 70% in the not too distant future (Portnoy, 2008). In 2008, Portnoy in the newsletter *PhilanTopic* states, "Women are poised to change the face of philanthropy. That change is likely to constitute a revolution of sorts—from a vertical model to one that is far more horizontal, a model more democratic than aristocratic" (p. 1). Portnoy goes on to say, "Women, better educated and able to take care of themselves, will also take care of their children, moving their families from poverty to economic self-sufficiency" (p. 1). She concludes that children from poor countries will be better educated because of the women's philanthropy leadership.

Women will continue to use their entrepreneurial drive to improve and shape societies throughout the world. Their philanthropic leadership will become an even more important part of the role of women as their collective wealth increases. This field of study will continue to be an area of research interest as the collective wealth of women increases.

Women and their leadership of philanthropic causes is certainly an area that needs more attention and research. The literature on the history of this subject is limited, especially in the area of quantitative data. Also, more research on the role of women within the philanthropic realm would be helpful.

It is clear that women will continue to make a difference in the leadership of philanthropy throughout the world. As women's economic and social power continues to increase throughout most of the world, they will make even bigger impacts in the world of philanthropy. They will continue to lead and make a difference in others' lives and their community through their philanthropic work in the areas of advocacy, direct service to others, politics, social services, education, the arts, and health care. Women's leadership in philanthropic endeavors will continue to reflect women's values and help shape our communities and societies across the globe.

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Role of the Nonprofit Sector in Providing Opportunities for Unpopular Causes and Disenfranchised People

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> The nonprofit sector's legacy from its inception has been to serve as a vehicle by which those who had no voice individu ally could have one collectively. However, some have argued that there are some voices in America that are considered more acceptable than others. Fortunately, the diverse makeup of the nonprofit sector (e.g., pro and anti groups), are able to assemble and serve the needs of those who share their philos ophy. It is because of our individual freedoms through the U.S. Constitution that the sector is able to provide opportuni ties for unpopular causes. (Wolff & De Shalit, 2007)

This chapter will show the nonprofit sector's history in serving disenfranchised people. A discussion follows on how the nonprofit sector serves as a catalyst for change when it comes to the incorporation or mainstreaming of such causes into the American political system. Furthermore, this chapter shows how nonprofit organizations have played a pivotal role in American history by shaping and influencing social movements and public policy. It concludes with some discussion of what our individual role is in being faithful to our democratic ideals of aiding those who are disenfranchised.

Religion and Government Influence on the Nonprofit Sector

The antecedents for today's modern nonprofit sector are rooted in the Judeo-Christian traditions that shaped the early formation of the United States. Ancient Judaic cultures and social structures provided protection for the most powerless in society (e.g., the poor, the orphans, and the widows). Many of these social welfare concerns were addressed by the church and were considered a private matter, with limited support from the government. Because religion prevented those in need from being excluded from society, greater attention was paid to symptoms and causes of need in an effort to focus on preventative rather than reactive measures. However, in 1601, when the English government established the Elizabethan Poor Laws, it further affirmed the role of the church and the private citizen in providing relief for the most needy. The laws decreed that the needy had a legal right to receive government assistance, but who should be classified as "needy" was an important question. To define the boundaries of government help, the law distinguished among three classes of dependents and proposed remedial measures: "Needy children were given apprenticeships, the able-bodied were given work, and the worthy poor were provided with either indoor (institutional) or outdoor (home) relief" (Karger & Stoesz, 1998, p. 34). Consequently, the law ordered local governments to assume responsibility for the needy. However, at the local level, organized religion became increasingly involved as a supplier of social services. More important, this philosophy was coupled with "their ability to forge connections across large segments of the population, spanning communities and regions and drawing together people from different ethnic backgrounds and occupations" (Wuthnow, 1998, p. 362). Together, they formed the cornerstone of who got served and who had attributed status in colonial and postcolonial America (Karger & Stoesz, 1998).

Transition to Individual and Elite Charity

Since the founding of the United States, the church and the government have been grappling with the question of who are the "worthy and unworthy" poor. In an effort to address this question, individuals with means began to form nonprofit organizations.

By providing financial support for individual causes, projects, and programs, these wealthy donors contributed to the public good. Some might argue that they also advanced their own personal agendas and that charitable work was a way to wield power and influence over those of lower social status.

As the nonprofit sector matured, increased levels of government regulation began to force the hand of the elite. This was a way in which governments attempted to garner control over individuals advancing their own agendas. Ironically, as the nonprofit sector grew and began to embrace its independence, the public sector began to fear voluntary organizations when they became involved in decision-making and influencing public policy. This love-hate relationship was not only true between the state and the sector, but also between existing and emerging nonprofit organizations. With each new organization and objective, more established associations felt as though they were being encroached upon, which would result in their agendas not being advanced or promoted (Hall, 1992).

Ironically, sector lore has long promoted the writings of Alexis de Tocqueville as one of the seminal pieces in describing the role of voluntary associations within the United States. In *Democracy in America,* Tocqueville describes the importance of private contributions and support for aiding others in society and how such actions illustrate democratic ideals. Voluntary organizations were observed as being a "natural and perhaps a necessary connection" between civic organizations and political ones through which citizens work in concert with one another to influence the state (Tocqueville, 1969, p. 115). He goes on to say that "Americans of all ages, all conditions, and all dispositions constantly form associations" (Tocqueville, 1969, p. 117). Such writing leads one to assume that the formation of associations was a constant and permanent aspect of American life.

But, what he observed was only those actions that were publicly supported as being "worthy" of benefit and collective action. Historically, little attention has been paid to the nonprofit sector's role in helping the "unworthy" poor until the mid-20th century when the sector began to define itself. According to Odendahl (1991), "The philanthropy of elites is not a system whereby the fortunate distribute resources to the less fortunate." Philanthropy is instead a "system whereby the wealthy help to finance their own interests and institutions" (p. 246). Even the Commission of Private Philanthropy and Public Needs, commonly known as the Filer Commission, noted that "grants made directly for social change or to assist the powerless are dwarfed by the massive philanthropic contributions made annually in support of education, the arts, health services, and the like" (Clotfelter & Ehrlich, 1999, p. 110).

Famous family names such as Carnegie, Ford, and Rockefeller benefited their own empires by using their wealth to support charitable organizations. The argument has been made that their benevolent practices were more of a financial transaction rather than a humanitarian one. That is because those who formed such organizations could maintain their status and promote policies that would protect their interests, rather than being champions for social and economic justice (Milofsky, 1988). As a matter of fact, it was "undergirded by social Darwinist ideology as a means by which to advance the race, rather than alleviate human suffering" (Hall, 1992, p. 121).

Who Are the Unworthy?

For most of the 20th century, social theorists have been concerned with those who are vulnerable or on "the margins." Although the precise definition of the word *vulnerable* is problematic, as it is socially constructed (Moore & Miller, 1999), it is important to offer a shared definition to help better understand the concept. Silva (1995) suggests that a vulnerable person is an individual who experiences "diminished autonomy due to physiological/psychological factors or status inequalities" (p. 15). Others see vulnerability as the "activation of the processes that lead toward oppression, discrimination, stigmatizations, and disempowerment" (Butler, Elliott, & Gunther, 2001, p. vi).

Part of defining who is marginal has a great deal to do with a lack of power. Power is defined as "the capacity to influence the forces which affect one's life space for one's own benefit. [Conversely,] powerlessness is the incapacity to exert such influence" (Pinderhughes, 1983, p. 332). Those who are disenfranchised are seen as largely powerless and suffering from the debilitating effects of such circumstances—circumstances that are often degrading and distressful. Broad and evolving lists of those who are vulnerable have been developed by Butler and Weatherly (1992) and others. Clustering the concepts of marginality by theme shows that people are vulnerable due to one or more of the following: religion/spirituality, race/ethnicity, gender/sexual orientation, age, health diagnosis, involvement in the criminal justice system, residency issues, natural disasters, occupational status, and economic status (Alperin & Richie, 2001).

As one can see, these themes are not mutually exclusive. Equally important is that someone can be part of a disenfranchised group on a permanent or temporary basis. Thus, long-term or short-term marginalization can impact the same person in various aspects of her or his life at the same time. Hence, we have the terms *overlapping* *marginality* (Madriz, 2000, p. 7), *doubly vulnerable per sons* (Moore & Miller, 1999, p. 1034), and *multifaceted vulnerability* (Radley, Hodgetts, & Cullen, 2005, p. 274).

Regrettably, those who are perceived as being unworthy or on "the margins," regardless of the reason, end up becoming stigmatized in society. As a result, nonprofit organizations that serve disenfranchised people may be equally affected. Conversations around stigma and taboo for serving a particular group, need, or cause have become more prevalent as society's social ills can no longer be addressed by the public and private sectors (Falk, 2001).

According to Goffman (1986), there are three primary types of stigma. First are stigmas that stem from physical deformities visible to the common person. Second are stigmas based on tribal nation, race, country of origin, and religion. Third, and finally, are

> blemishes of individual character perceived as weak will, domineering or unnatural passions, treacherous and rigid belief, and dishonesty, these being inferred from a known record of, for example, mental disorder, imprisonments, addiction, alcoholism, homosexuality, unemployment, sui cidal attempts, and radical political behavior. (Goffman, 1986, p. 4)

With all three types of stigma, the process, Goffman argues, the end results are the same. People are hindered from establishing normal social relationships because of their "undesired differentness from what we had anticipated" (Goffman, 1986, p. 5).

As poverty, crime, homelessness, joblessness, illness, and other social issues rise, it is no longer wise to ignore the wants of the disenfranchised, for they begin to impact capitalism. As we seek to minimize the gap between the "haves" and the "have-nots," Riis (2005) offers up a solution of building a "bridge founded upon justice and built of human hearts" to keep at bay the tide of need and misery that will befall society if we ignore the plight of those who are viewed as "unworthy."

Ironically, the "haves" and the "have-nots" vary. Thus, those who may have been viewed by religion, government, the elite, or society as being marginalized in the past may no longer be considered disenfranchised today. Because society and culture change and the ways we examine government and religion are influenced by the social construct of the time in which we live, it is important to note that who is disenfranchised or part of an unpopular group is dynamic. Therefore, one person may be classified into contradicting groups based on what issue is being examined, as well as how one might self-identify.

Advocacy has been a means through which groups use their experiences to improve their plight. The 21st century has witnessed growing motivation to increase citizen participation and thus to democratize nonprofit sector service and philanthropy as a means by which to "advocate for those who are most in need" (Clotfelter, 1992, p. 3). Among the many types of nonprofit organizations, those that are human service organizations owe their origins to similar efforts to cope with poverty and the massive influx of immigrants into the United States in the late 19th and early 20th centuries.

The Role of Human Service Organizations Today

The Internal Revenue Service (IRS) defines 27 types of nonprofits; of these, 501(c)(3) charitable organizations are the most common (Salamon, 1999). Human service organizations constitute the largest single component of the charitable nonprofit sector in terms of 501(c)(3) organizations. Our modern social welfare system is larger than ever. Marginal groups represent special populations that have been ignored, excluded, or oppressed by mainstream society. Their number reflects the capacity of American culture to maintain its equilibrium while excluding many groups from full social participation. A partial list of marginal interest groups includes: Native Americans, African Americans, Asian Americans, Hispanic Americans, women, disabled persons, homosexuals, rural dwellers, Jewish and Muslim individuals, and immigrants. These groups are of concern to nonprofit students and professionals because typically, they have not had the same opportunities as mainstream populations. In short, it could be argued that they have been denied social justice. Within the context of democratic capitalism, elevating marginal interests remain extraordinarily problematic, but, by benefiting those who are in the margins, society as a whole benefits.

In American culture, groups excluded from the mainstream are expected to gather their resources and identify leaders who will mount programs to serve their particular group. Although this expectation is congruent with traditional values such as self-sufficiency and community cohesion, the solidarity approach does not necessarily ensure success. Hence, nonprofit organizations provide a vehicle through which marginalized groups can engage in democratic policy making and transform civil society. In this respect, the voluntary sector is essential to the nation's culture, in that it is a correcting influence to the indifference often shown to marginal populations by governmental and corporate bureaucracies.

The ability of nonprofit organizations to assist disenfranchised groups and represent unpopular causes gives rise to social policy formulation. *Social policy* refers to those policies that focus on how individuals and groups relate to the larger society (Burger & Youkeles, 2000). The aim of social policy is to improve the lives of people, which is also the goal for human service organizations.

According to Burger and Youkeles (2000), social policy is characterized in four ways:

1. It is problem oriented.
2. It is action oriented.
3. It is focused on individuals or groups.
4. It involves making choices regarding the kind and/or extent of action to be taken.

Because social policy regarding human service organizations is important to all three sectors, it is important to recognize the unique role the nonprofit sector plays. Policy in the nonprofit sector is established to address unmet needs that have not attracted sufficient political support (Alperin & Richie, 2001). Thus, the work of such organizations has been essential to the development of the nation's culture and correcting issues of indifference and intolerance exhibited toward marginalized populations by private and public sectors. Nonprofits take on issues that do not attract the broad spectrum of public support necessary for legislative mandates or private enterprise (O'Connell, 1993).

In other words, the voluntary sector serves as the best—and in some cases, the only—vehicle for addressing certain social seeds. Indeed, much of what Americans would identify as central to their culture can be attributed to nonprofit organizations: hospitals, religious organizations, schools, and welfare agencies. Many of these organizations are based on serving those in need and ensuring liberty and justice for all. Consequently, the nonprofit sector fosters much of American pluralism.

Nonprofit and community organizations are mediating institutions between government and society in an effort to promote pluralism of thought and individual freedoms (Schambra, 1999). This is accomplished through grassroots organizing, which has propelled social movements that yield benefits from government programs. Legislation has mandated the creation or revision of programs to improve the plight of disadvantaged groups. Social movements such as civil rights, farm worker's rights, women's rights, voting rights, and, more recently, rights for homosexuals, people with disabilities, and immigrants have been propelled through the work of the nonprofit sector advocating for the welfare of unpopular groups.

Such accomplishments have resulted from the voluntary sector's ability to "innovate, create, and engage in controversial experiments" (O'Connell, 1993, p. 3). Just as these social movements have changed the definition of the "worthy and unworthy," it can be argued that virtually every far-reaching social change in American history has resulted from efforts within the nonprofit sector. These movements and the nonprofit organizations that supported them helped create new social norms and active forms of citizen engagement, both of which are the hallmark of American democracy.

To maintain an open democratic American culture, anyone must be free to organize for purposes of rectifying past injustices or current wrongs. Recruiting participants, forming a board of directors, filing for tax-exempt status under IRS Code section 501(c)(3) or (4), soliciting contributions, and applying for grants and contracts are all modern avenues through which to get one's voice heard. With more organizations emerging that serve unpopular causes or disenfranchised people, additional leadership opportunities and avenues for civic participation exist to promote discursive dialogue in communicating their concerns to the larger populace.

Most Americans indicate certain preferences for voluntary organizations to address social problems. Of respondents to a 2001 poll, 56% ranked sectarian agencies as important for "solving social problems in their communities," compared to 53% for local nonprofits, 39% for the United Way, 33% for state government, and 28% for the federal government (Morin, 2001, p. A19). This supports the premise that the nonprofit sector is better able to respond to changes in the environment and is more responsive than government, especially when confronted with new demands for human services. Whether filling gaps and holes in the "social safety net," complementing each other's efforts, or responding to newly emerging needs, the nonprofit sector adapts to changing social and economic circumstances by founding new organizations (Chambré, 1995, p. 125).

In many communities, nonprofits lead in addressing these social problems through innovations and by raising awareness about social issues among public officials, citizens, and private organizations (O'Neill, 1989; Salamon, 1992). As response strategies have become increasingly multifaceted, nonprofits are working together more frequently with local government and other groups to formulate comprehensive strategies for program advocacy, service delivery, crisis relief, and other efforts (Bryson & Crosby, 1992).

The Importance of the Nonprofit Sector

Both the market and the government are limited in providing social services (Salamon, 1992). The market has the "free rider problem," which allows consumers to benefit from collective goods without having to pay for them. Governments are unable to garner support from the majority to fulfill unmet need of underrepresented groups. Nonprofit organizations, then, are expected to focus more heavily on the poor and disenfranchised in circumstances where existing government programs are less effective and/or inadequate. In this theory, the nonprofit sector is viewed as a mechanism for satisfying demands for collective goods that are not satisfied or are left unmet by both the private and public sectors (Weisbrod, 1988).

This is the traditional explanation for why the nonprofit sector is important, but it underestimates the vital role nonprofit organizations play as change agents (Clemens, 2006). Jackson-Elmoore and Hula (2000) argue that "if the market represents exchange and the government represents authority, then it is appropriate to think of the nonprofit sector as a mechanism for cooperation" (p. 3). These networks of collaborative relationships help give voice to important social issues that are worthy of being placed on the policy agenda for good governance and profitable business.

Nonprofits are valued because they are seen as imaginative, flexible organizations that can tailor national or state programs to fit particular local circumstances and needs (Smith & Lipsky, 1993). Among these needs are services for disenfranchised groups. Nonprofit organizations have a strong record of providing effective service, and they have gained institutional legitimacy for not being self-serving. Nonprofits also facilitate community building that breeds trust and cooperation among those in society (Putnam, 1993). These characteristics have benefited the sector. Having a positive reputation for mobilizing disenfranchised groups and making their concerns more salient to decision makers has prompted the other sectors to grant legitimacy to the concerns of unpopular causes. In short, people have formed nonprofit organizations in order to exercise their rights to free speech and express unpopular ideas.

Efficacy in Working With Disenfranchised Groups

The ability of individuals to form groups as a way of improving democracy is a unique aspect of American civic life. According to March and Olsen (1995), involvement in nonprofit organizations engenders the "civilized citizen," someone committed to democratic ideals, while exercising the rights and responsibilities that come with democratic freedoms (p. 57). Nonprofits help individuals move beyond themselves to a larger group of people who have a shared interest. These relationships are a catalyst for resource sharing and building community. As these organizations increase in number, it has been found that the density of nonprofits in neighborhoods increases the level of collective civic action, indicating that the locus of collective action is shifting from individuals to formal organizations (McAdam, Sampson, Weffer, & MacIndoe, 2005). This shift calls attention to the social and civic dimensions of nonprofit activity, which evolve to improve conditions for the communities they support as agents of social change (Clemens, 2006).

Conventional institutions (e.g., political, economic, social, educational, administrative, and legal systems) are slow to meet the needs of society's most marginalized groups and often pose barriers to those who desire to actively promote their needs and concerns (Castole, Watson, & White, 2002). Consequently, nonprofit organizations, and those who seek to join them, provide those who are on the fringes of society with solidarity and a shared space to empower their own communities (DuBois & Miley, 1999). Since the 1990s, the nonprofit sector has intentionally increased efforts to find alternative forms of civic engagement to empower disenfranchised communities (Wolch, 1990). In doing so, the pervasive negative valuations of unpopular causes or groups are lessened, which helps to free populations at risk from further oppression.

But such efforts require gathering of resources, diverse ideas, entrepreneurial activities, planning and coordination, the formation of a shared purpose or niche, and a figurehead to advance its mission (Cameron & Whetten, 1985). This is where *you* as an individual can play an important role in serving as an advocate for unpopular causes or disenfranchised people. It is common for the sector to involve individuals from a wide cross-section of society in organizations that do not necessarily reflect their own specific needs. Rather, individuals join organizations to serve as advocates and activists for causes and communities that may not have the organizational infrastructure to help them advance their own cause. Thus, many contentious social change activities and social movements have been absorbed into formal nonprofit organizations as a way of elevating their position in society (McAdam et al., 2005). Consequently, this challenges the elite, by going "through a process of issue and action formulation by which [they] develop consciousness of the needs, possibilities, and strategies of challenge" and carry out "the process of mobilization of action upon issues" (Castole et al., 2002, p. 6). In doing so, nonprofit organizations help marginalized groups build collective power to articulate and meet their needs.

As the United States becomes increasingly heterogeneous, more unpopular causes are likely to surface. Incremental efforts to address those causes, and to help the individuals who are disenfranchised, will be made within the complex and political world in which we live. Individuals and nonprofit organizations must engage these very issues to meet the needs of society's disenfranchised populations (Hyde, 2003).

Any form of oppression or intolerance that is the result of individual or institutional efforts is worthy of nonprofit status. Hence, the heterogeneity of the American populace is represented in the diverse organizational arrangements and perspectives within the nonprofit sector. These organizations, by their mere existence, attempt to influence social and political systems to restructure policies that connect disenfranchised groups (Nagda & Gutierrez, 2000). As a result, these organizations not only serve the needs of their constituents but also advocate on their behalf. According to Jenkins (2006), advocacy refers to "any attempt to influence the decisions of any institutional elite on behalf of a collective interest" (p. 297). Although advocacy is a broad term, such efforts can range from informal support of ideas to regulated legislative action or formal lobbying (Jenkins, 2006). "Advocacy is a crucial element of nonprofit service, for it is the action through which empowerment of disenfranchised and oppressed client systems is accomplished" (Mickelson, 1995). Advocacy done in collaboration with oppressed and disenfranchised populations assists them in moving closer to attaining and maintaining social and economic justice (DuBois &Miley, 1999; Gamble & Weil, 1995). These efforts can be done on the individual or group level. However, for greatest impact, collective support is often required. Organizations engaged in advocacy know they will be far more effective if they are able to mobilize their constituents and do not have to rely solely on their lobbyists (Berry, 2005).

Nonprofit organizations that engage in empowering their clients "seek to develop the capacity of individuals to understand their environment, make choices, take responsibilities for their choices, and influence their life situations through organization and advocacy" (Gamble & Weil, 1995, pp. 483–484). In view of that, organizations educate and mobilize followers who otherwise would remain uninformed and passive. Because the nonprofit sector plays an integral role in creating social policy, it is important to know what steps an individual must take. Burger and Youkeles (2000) outline the following steps. First, social policy requires one to adopt a "problem-oriented" and proactive view. Second, it is imperative to identify and understand the unmet needs of the target population. Third, social policy requires innovative thinking among individuals and sector workers. Fourth, and finally, involve a diverse cross-section of stakeholders from the target population, and the three sectors, in the creation, implementation, and dissemination of a comprehensive plan. Policy development, formulation, implementation, and evaluation make up a complex process. By accepting this challenge, nonprofit organizations that serve unpopular causes play a vital role in American society and reflect American commitment to responsible citizenship in the community (Drucker, 2003).

The irony is that for every nonprofit organization that promotes a certain perspective or promotes a particular social policy, there is another equally legitimate nonprofit organization that can have a diametrically opposed perspective. These competing missions place these organizations at odds with one another. The questions then come: Who determines "what is an unpopular cause" and "who are the disenfranchised"? Although the public and the law may predetermine what and who they are, it is even more important for an individual to make that decision independently.

Future Directions

Because determining who is marginalized is a decision that draws on one's personal, social, religious, and professional values, there are some important concepts to keep in mind. Of particular importance is awareness of one's own values and attitudes toward disenfranchised groups. Nonprofit workers and those who are involved in the sector should be especially aware of their own stereotypes and prejudices and how this may result in discrimination of particular segments of society (Neukrug, 2000).

According to Towle (1965), it is important to recognize the human needs of all people, regardless of one's role in society. Thus, clients from marginal groups should be treated as individuals, as well as members of a larger disenfranchised group or representative of an unpopular cause. Social equality implies equal intrinsic worth to every individual or group. Similarly, everyone is entitled to equal civil, economic, political, and social rights and responsibilities to develop his or her own human potential (Gil, 1976). Therefore, vulnerable individuals or groups "should be subject only to the general limitations that any individual's or group's right to freedom and self-actualization must never interfere with the identical rights of all other individuals and groups" (Gil, 1976, p. 4). By keeping these factors in mind, one can minimize any distortions or incongruent expectations between disenfranchised individuals and society as a whole (Neukrug, 2000).

To make this discussion more personal, you are encouraged to consider what issues you are passionate about. Do any of them focus on a group you would view as being disenfranchised? Would society consider this group disenfranchised? Is it an issue that is unpopular? Does the cause result in tensions within society, law, or religion? A great variety of organizations seek to restore relationships between excluded groups and public stakeholders. To do so, nonprofits, and the individuals involved, serve as brokers between disenfranchised groups and the public services or rights they are seeking. Because the university campus is a microcosm of the larger society, Collins (2000) offers several suggestions on how individuals can use their college experience as a way to help them understand the value of the sector in providing opportunities for unpopular causes and disenfranchised people. Establish a club with the purpose of emphasizing respect among all people and in particular for a disenfranchised group or unpopular cause. The focus should be on developing empathy among the members of the organization by avoiding the "blame game" (Collins, 2000). Examine causes of interpersonal bias, and explore opportunities whereby people can move from bias to tolerance. Use books, blogs, news events, and new media to promote discussions. Have students anonymously write papers, Facebook messages, tweets on Twitter, and blogs that recount their own experiences and feeling about being marginalized. Read and discuss the entries and invite open discussion of their content. By learning among your own peers about how they have felt and reacted to being marginalized, the needs of disenfranchised groups may become more "real" to you. Stories about people you know may prompt individuals to get involved in nonprofit sector service.

Such exercises help bring to life the need for social equality in structuring human relationships. They also facilitate forming partnerships, communicating challenges, defining directions, and identifying strengths (DuBois & Miley, 1999). Each of these efforts can be done within various American social institutions, including, but not limited to business, education, family, government, health, military, recreation, and welfare. However, what sets nonprofit organizations apart is that they are at the core of what helps excluded populations access and benefit from the rights that are provided to them by law. These insights may help you to better understand how disenfranchised individuals are assisted through the nonprofit sector and how nonprofit organizations seek to minimize their disadvantage and risk in society.

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Understanding How Philanthropy and Nonprofit Activities Manifest in Minority Communities in the United States

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Philanthropy is the giving of time, money, and talent to support a socially beneficial cause without any apparent expectation of financial or material reward. Philanthropic activity, including charitable giving and volunteering, provides important resources for nonprofit organizations. GivingUSA Foundation estimates that the total amount of charitable giving from individuals, foundations, and corporations exceeded $300 billion in the United States in 2007. The lion's share of all donor dollars comes from individuals. Individual giving reached $252 billion, or 82.3% of the total. In addition, the U.S. Census Bureau survey shows that about 61.8 million American adults, or 26.4% of the population, volunteered through or for an organization in 2007. With the estimated dollar value at $19.51 per hour and the median annual volunteer hours of 52 hours, American volunteers contributed about $63 billion to the nonprofit sector (Independent Sector, 2008). These numbers testify to the importance of understanding individual philanthropic activity in the United States.

Although there are a plethora of studies of elite philanthropy, scholars have only recently turned their attention to philanthropic behavior of minority populations, which are often portrayed as takers rather than givers. There is a common perception that minorities are less generous than white Americans. This perception is partly based on the findings of several national studies that reported significantly lower levels of giving and volunteering by black, Hispanic, and nonwhite populations (Hodgkinson & Weitzman, 1996). However, we should interpret these findings with caution because these studies define giving and volunteering narrowly as formal giving and volunteering or giving to and volunteering for formal organizations. A growing number of studies show that members of minority groups do give time and money, but they tend to focus on informal giving, which includes giving to and volunteering for families, neighbors, and communities. Therefore, a broad definition of philanthropy, including both formal and informal philanthropy, is needed when we examine the charitable behavior of minority populations. This study focuses on charitable giving and volunteering of African American, Asian American, and Hispanic people. For each minority group, the demographic characteristics pertinent to philanthropy and fundraising, the history and culture of philanthropy, and the patterns of giving and volunteering are discussed.

African American Giving and Volunteering

The history of African American philanthropy dates back to the arrival of Africans in America more than 300 years ago. The harsh reality of oppression experienced by the African American population shaped their philanthropy. Since the 18th century, African American philanthropy has been an important mechanism for mutual assistance, for the struggle of social justice, for the enhancement of the educational and economic status of blacks, and for the establishment of institutions. African Americans have traditionally relied on the philanthropic resources of their own community to help blacks in need. The Fraternal Order of Prince Hall Masons, founded in Boston in 1775, was one of the earliest organized philanthropic groups in the black community. It provided mutual aid to freed slaves and their families. The organization continues today as a provider of social services and scholarships to the black community. Other examples of organized African American philanthropy include the Free African Society formed in 1787 in Philadelphia, which provided an array of aid including nursing and burial services; the African Society for Mutual Aid and Charity formed in 1796, which provided financial help and job placement; the Brown Fellowship Society founded in 1790, which provided education for free black children in Charleston, South Carolina; and the Juvenile Garrison Independent Society, which was active in the 1830s and 1840s as an organization for teenagers (Fairfax, 1995).

The philosophical root of African American philanthropy is what James A. Joseph called the African cosmology of connectedness.

> The communal tradition of caring for each other has deep his torical and metaphysical roots. *Homo communalis*, the idea that we live and have our being in a caring social community, is at the heart of African metaphysics. . . . This cosmology of connectedness provided the first principle of black philan thropy. (Joseph, 1991, pp. 4 5)

The sense of connectedness has driven African American philanthropy in its personal as well as organized forms.

Informal giving is an important part of African American philanthropy. Smith, Shue, Vest, and Villarreal (1999) find that giving and volunteering of this minority group are largely informal and take place primarily within families or the black community. African American families tend to be defined broadly and often are large kinship networks related by blood and association. The definition of kinship determines African Americans' giving and sharing patterns and choice of beneficiaries. In the broadest terms, kin may include all African Americans, people of color, fellow workers, or fellow church members, who are often referred as "brothers and sisters." One might be expected to give to family members first, then to extended family, followed by neighbors, communities and church members, and finally to other African American populations, people of color, and people in need. Emergency and immediate assistance to family and friends is a common form of African American philanthropy.

The church has been a central community organizing and community service tool for African Americans. More than two thirds of African American charitable dollars go to their church, which is higher than the percentage of donations white donors give to their church (59%). The large share of giving to the church is a sign not merely of the impact of religious belief on charitable giving, but also of trust in an institution that historically has served spiritual, social, and economic needs of the black community. In many cases, the church serves as a conduit to channel charitable donations received from members of the congregation to other organizations, such as black institutions of higher education (Carson, 1990).

In the 20th century, the number and types of vehicles for organized African American philanthropy have grown remarkably. Examples of contemporary African American formal philanthropic organizations include the National Association for the Advancement of Colored People (NAACP), a civil rights organization founded in 1909 to fight for social justice for blacks; the National Urban League, the largest community-based organization, founded in 1910 to empower the black population and to reduce discrimination; and the United Negro College Fund, a federated fundraising organization serving 40 private, historically black member colleges and universities.

Empirical studies on African American philanthropy show that African Americans give disproportionately to black charitable organizations. In addition, their giving tends to be unplanned and spontaneous. In terms of motivation, African Americans often state that they feel obliged to give back to the community (Smith et al., 1999). The tax advantages of giving do not seem to be the primary motivation for African Americans to donate (Fairfax, 1995). Although African Americans have the highest poverty rate, at 22.1%, and the lowest median annual household income, $30,439, in the nation, they are still more generous than other population groups. Carson (1990) found that after controlling for differences in income, a greater percentage of African Americans contribute to charitable organizations than whites. Moreover, African Americans of low income contribute a higher percentage of their income to charities than whites. Furthermore, the growing African American middle class and upper class, consisting of business owners, entertainers, and athletes, provide additional charitable resources to the mainstream nonprofit organizations, such as the United Way and the donors' alma mater.

To encourage and foster African American philanthropy, it is important to understand and overcome the barriers to involvement and contribution from this population. Rogers (2002) pointed out that low expectations of giving from African Americans, taboos against discussing money, organizational competition for donations, and inadequate philanthropic support structures are some of the factors that could impede the growth and development of African American philanthropy.

Another important aspect of African American philanthropy is volunteerism. The church is the dominant institution for African Americans to volunteer their time. Smith and his associates (1999) found that black women tend to volunteer more often than black men, which is partly the result of the roles that have been assigned to men and women by the African American culture and the larger society. It is also worth noting that African American volunteers have traditionally been a strong force in fighting against racial discrimination and advocating for social justice.

Asian American Giving and Volunteering

Asian Americans are one of the fastest-growing minorities in the United States. From 1990 to 2007, the Asian American population has increased 90%, reaching 13 million or over 4% of the total U.S. population.[1] Most Asian Americans reside in the states of California, New York, Texas, New Jersey, Illinois, and Hawaii. According to the 2000 U.S. Census classification, Asian Americans are composed of 16 subgroups based on their countries of origin. Chinese, Asian Indian, Filipino, Vietnamese, and Korean are the largest subgroups, with populations exceeding 1 million.

Although some scholars emphasize the integration and culture similarities among the Asian American population, there is an increasing recognition of the significant cultural, religious, linguistic, and socioeconomic differences among Asian American subgroups. About 80% of the Asian American population is foreign born. Their reasons for coming to the United States vary from political asylum, religious freedom, education, career advancement, and business to family reunion (Chao, 2001). The diversity of Asian Americans' cultural background, the reasons for migration, and their experiences in the United States affect their decisions to participate and contribute to communities in this country. In view of the diversity of Asian American subgroups, this section focuses on the philanthropic culture and activities of the three largest Asian population—Chinese, Asian Indian, and Filipino.

Chinese Americans

The Chinese have the longest history in America of any Asian subgroups. Chinese immigrants came to the United States in several waves. Prior to 1942, the Chinese immigrants, mostly Cantonese from the southern part of China, came as cheap labor for the mining, railroad construction, agriculture, and other industries. From 1942 to 1949 most Chinese immigrants came from north and central China; from 1949 to 1979 most were from Taiwan; since 1979, a growing number of immigrants came from the People's Republic of China (Smith et al., 1999). Currently, there are about 3 million Chinese in America, and 52% of them were born in the United States. The percentage of Chinese Americans who have college degrees is nearly double that of the general population (Ho, 2004). High education attainment and professional jobs have resulted in a tremendous increase in affluence among Chinese Americans.

Philanthropy has been highly regarded in Chinese civilization. The tradition of sharing wealth and resources is deeply rooted in Confucianism and Buddhism. Buddhism values compassion and service to others, and Confucianism teaches the concepts of benevolence, filial piety, and reciprocity.[2] Since Chinese culture emphasizes obligations to families, friends, communities, and villages, informal and indigenous giving activities based on kinship, family, clan, and hometown association are the most common forms of philanthropy in Chinese American community (Smith et al., 1999). Chinese giving often focuses on providing for the family first, then the ethnic community, and then mainstream society. As Jessica Chao (1999) argued, many Chinese Americans, particularly first-generation immigrants, need to feel "their lives and those of their families were financially secure—regardless of their level of wealth" (p. 235) before they commit significant financial contributions. As a result, Chinese Americans are unlikely to make planned gifts or leave bequests to charities unless there are some personal relationships or connections with the recipients or fundraisers who represent these charities.

Like other immigrant groups, first-generation Chinese immigrants send a considerate amount of financial aid in the form of remittances to their home country. According to the World Bank, China received about $34 billion in remittances in 2008, which accounted for 1% of its gross domestic product. This money supported not only family, but also community improvements, schools, and hospitals (Chao, 1999).

Mutual aid associations, rotating credit organizations, Chinese consolidated benevolent associations, family associations, and business associations are forms of organized Chinese philanthropy that have a long history in the United States. Lai (1987) traced the development of Chinese consolidated benevolent associations from their emergence in the 1880s in the Chinatowns of major U.S. cities to the present. Lai described the evolution of myriad associations or *Huiguan* based on united clans or groups from the same region of China, led by the immigrant merchant class. These associations evolved into the Chinese consolidated benevolent associations in response to the growing sense of community that crossed clan or regional lines. In their early years, these associations helped immigrants by providing temporary housing and jobs and later raised money from members for community projects, sponsored Chinese schools, and served as social centers. With an increasing wave of young Chinese immigrants who were less clan and more ethnically oriented, credit unions were created to serve member needs and help communities by working with social service agencies or by dispersing scholarships to members' children.

In terms of mainstream formal giving, education institutions have been a top recipient of Chinese philanthropy. This is likely due to the strong emphasis placed on getting a good education in Chinese culture. Many Chinese Americans who have high levels of educational attainment would consider donation to educational institutions as a way to "give back" to those who have helped them the most (Ho, 2004). One recent example is Yahoo, Inc., cofounder Jerry Yang, who donated $75 million to his alma mater, Stanford University, in 2007. In addition to education, Chinese Americans also tend to support services for the elderly, health care, religion, and political causes (Smith et al., 1999). Furthermore, Robert Lee (1990) documented the growth of foundations in the Chinese American community and linked it to economic successes in the field of technology and real estate. As Chinese Americans transition from a majority first-generation immigrant group to a majority American-born Chinese group in the 21st century, their culture and attitudes toward philanthropy will likely change. The second and third generations may broaden their charitable giving from ethnic-centered charities and educational institutions to other formal institutions, such as museums and youth-service agencies, as a way to gain access to mainstream social circles.

Asian Indians

Asian Indians are the richest immigrants in the United States. Among all American foreign-born residents, India-born immigrants are the most highly educated and have the highest median household income. A 2003 Merrill Lynch study found that one in nine India-born immigrants in the United States were millionaires (Burge, 2008). In 2007, there were about 2.5 million Asian Indians in this country, and 80% of them reside in 10 states, including California, New York, New Jersey, and Texas.

The Asian Indians' culture of philanthropy is rooted in their religious beliefs. Asian Indians in the United States are composed of adherents of various religions of the Indian subcontinent, including Hindus, Muslims, Christians, and others. The act of giving a gift (*dana)* is one of the most important aspects of Hindu religiosity. *Dana* broadly defines almost any type of giving that is not reciprocal and not motivated by immediate self-interest (Anand, 2004). It is an expression of obligation and centers on gifts and ability to make donations. Hinduism holds that charity should be first directed toward family, then society, and finally to the world and all living beings. Therefore, informal giving to extended family members is common among Asian Indians. For Muslims, the practice of regular almsgiving is a religious requirement. In addition, voluntary charity (*sadaqah*) and good treatment of orphans, elderly, and parents are advocated in the Islamic tradition. For Christian Asian Indians, charity or contributing a certain amount of income as measure of gratitude to God is a common practice.

In *Remaking America*, Joseph (1995) noted that Asian Indians brought "a strong tradition of voluntary associations and organized charity and philanthropy to this country" (p. 122). Many Asian Indians came to the United States in the last few decades to study in their professional fields. As they became professionally well established and financially successful, their desire to give back, both in the United States and in India, increased.

Asian Indians' philanthropy mainly focuses on improving lives of Indians—both overseas and in India—and promoting culture exchange. Studies on Indian diaspora philanthropy show that Asian Indians in the United States donated more than $315 million to India in 2000 to 2001, which is about one third of total foreign contribution to India that year (Anand, 2004). Many successful Asian Indians in the United States got a great education back in India, and, being grateful, they wanted to help others in India. In addition, India is considered a land of a million causes. It has great riches but also has grinding poverty (Burge, 2008). The great needs in India call for donations from overseas.

In the last decade, several foundations were established by successful India-born immigrants in the United States to raise money for philanthropic causes in India and local philanthropies that promote awareness of Indian culture. For example, the American Indian Foundation, founded in 2001, has been immensely successful in channeling the philanthropic generosity of the Indian American community into humanitarian assistance in India. The Next Generation Foundation, also founded in 2001, aims at eradicating illiteracy and poverty among Indian youths.

With an average family income of $64,000, which is more than twice the national average, Asian Indians are also becoming a strong force in mainstream philanthropy in the United States. It is reported that more Indian Americans are donating to charitable causes, and the group of those considered large donors is growing. The most recent example is that John N. Kapoor, who donated $11 million to the State University of New York at Buffalo.

For most Asian Indians, religion provides the rationale for charity, and thus religious donation remains central to Asian Indian philanthropy. Religious centers—such as Gurudwaras (Sikh temple), temples, and mosques—act as community culture centers and raise funds for charity in India and the United States (Anand, 2004). Today, there are more than 200 temples and 500 Hindu religious movements, such as the Ramakrishna Mission, Chinmaya Mission, and the Sathya Sai Organization, in the United States. In a study of the Hindu diaspora and religious philanthropy in the United States, Anand (2004) surveyed about 50 respondents to discuss donor motivation and values in religious giving. The study noted that in the Hindu religion, it is customary to make small offerings of money when one visits the temple. People either put money to the *hundis* (collection boxes) or pay a small token to the *pujari* (priest) who performs the *puja*. There is no expectation as to the amount of money one should give, and each gives based on his or her ability. In the United States, the temples receive a large percentage, ranging from 10% to 40%, of their funds from *hundis*. Many temples support humanitarian causes in both U.S. local communities and in India. For example, they gave to local police associations and soup kitchens, and they raised funds after 9/11 and an earthquake in India.

Filipino Americans

Religion is also an important aspect of the Filipino American's life. Filipinos are predominately Christian, with an estimated 85% of them Roman Catholic (Chao, 1999). In 2007, about 2.3 million Filipinos were living in the United States, and more than 70% of foreign-born Filipinos lived in the states of California, Hawaii, New York, New Jersey, and Illinois. The median family income of Filipinos is about $60,000 (Garchitorena, 2007).

Most Filipino immigrants arrived in the United States in three waves. Prior to World War II, Filipino students were sent to the United States to gain knowledge and learn American-style democracy. Filipino contract workers were also recruited as agricultural labor in Hawaii and California. During World War II and the 1950s, Filipino "war brides" or those who had served in the U.S. armed forces moved to the United States. The third wave began after the passage of the Immigration Act of 1965. About two thirds of Filipino immigrants in this wave were professionals, mainly nurses and other medical personnel (Smith et al., 1999).

Filipinos are heavily influenced by both Spanish and American cultures, which make them the most Westernized group of the Asian Americans. Their giving patterns are also influenced by Western cultures and are different from those of other Asian subgroups. In addition, there are salient differences in giving patterns between the generations. First-generation Filipinos give to causes related to the Philippines and to the church—whatever reminds them of the Philippines—whereas the second and third generations give to local communities and to the causes that concern them (Smith et al., 1999).

Like Chinese Americans, first-generation Filipinos stress obligations and loyalty to family, clan members, friends, and communities. Therefore, informal giving, sharing, and helping are common in this group (Chao, 1999). Family is the basic social structure that supports Filipinos in need. When people need help, they go first to family members for giving and support. Similarly, when people are in a position to offer help, they first think of family members. This kind of interdependence in social relationships is valued in Philippine society. Once Filipino immigrants have acculturated to the American society, they come to value financial independence and thus feel less financially obligated to family members. However, the disparities in relative income and standard of living between the Philippines and the United States mean that first-generation Filipino immigrants have increased financial obligations to family members living in the home country (Smith et al., 1999). A large amount of money is sent by overseas Filipinos to the Philippines annually. From 1990 to 2005, the Philippine Central Bank reported more than $80 billion in cash remittances, mostly from the United States. In 2006, remittances reached $12.6 billion, roughly 10% of the gross domestic product (Garchitorena, 2007).[3]

In addition to giving to family members, Filipinos also contribute to formal organizations, such as hometown associations, professional groups, community organizations, and public charities in the United States. These organizations mainly serve the growing Filipino community in the United States and around the world (Smith et al., 1999). Some examples of public charities include ABS-CBN Foundation USA, Philippine International Aid Foundation, and the Ayala Foundation USA.

The Catholic Church is an integral part of Filipino's way of life, shaping Filipino giving patterns. Smith and his coauthors (1999) observed that the giving and volunteering behavior of Filipinos differed from that of Catholics in other countries. Because the Catholic Church in the Philippines is a missionary church, relying on the archdiocese or outside funding for many of its activities, Filipinos do not contribute as much or as regularly to the general collection as Catholics do in other countries. When Filipinos move to America, they continue to donate a relatively small amount, which leads to the impression that Filipinos are not generous or are the "dollar givers." However, Filipinos do pay or donate money for church services or religious rituals, such as weddings, baptisms, housing blessings, and so on.

Some Comparisons

Overall, Asian Americans are often considered a model minority. As a whole, they are perceived to be hardworking and family oriented. In addition, they are highly educated; 86% graduate from high school, and 44% have a bachelor's degree or more. Their median household income is above the national average. As a group, Asian Americans have a tradition of saving and have higher rates of savings than average. As their wealth grows, more Asian Americans are becoming prospective donors, not only for their own ethnic groups, but also for the mainstream American organizations. However, there is a general misconception that Asian Americans are not generous in giving and sharing. This may be partly caused by the fact that a large portion of Asian American giving is informal, family focused, ethnic specific, and directed to their home countries. Studies show that Asian Americans actually give more in relation to household income than the general population (Shao, 1995), and they are commonly interested in giving to education.

As a large percentage of Asian Americans are first-generation immigrants, their charitable giving activities vary by the length of their residence in the United States. Chao (2001) argued that in general, Asian American immigrants go through three stages in their philanthropic activity: (1) survival stage, in which people struggle through the immigrant years by sharing financial, emotional, informational, and skills-based resources, (2) help stage, in which people have reached financial stability and can help those less fortunate or in greater need, and (3) invest stage, in which people have developed higher levels of confidence and sense of permanence and thus invest in charity to realize their vision of an ideal community. As a growing number of Asian Americans achieve financial success in America, we expect more will become mainstream donors and contribute to non-Asian groups and causes.

In terms of volunteering, the U.S. Census Bureau's Current Population Survey finds that 18.7% of Asian Americans volunteered in 2008, which is a lower proportion than whites and blacks, who volunteer at the rate of 27.9% and 19.1%, respectively (U.S. Census Bureau, 2009). Among Asian Americans, Filipinos tend to volunteer at a higher rate than Asian Indians and Chinese. This can be partly attributed to the differences in religious obligations, as well as the practice and norms of service in the country of origin of Asian immigrants. For example, the 2001 World Value Survey shows that 21% of Chinese respondents in China volunteered compared to 32% of Indians and 58% of Filipinos in their own countries (Sundeen, Garcia, & Wang, 2007). These findings suggest that countries differ in the extent to which they embrace volunteerism. As for religious influence on volunteering, Ecklund and Park (2005) note that Chinese Americans practicing Eastern religions are less likely to volunteer to formal secular organizations relative to other Asian Americans in Eastern religions. In general, Protestant Asian Americans are more likely to volunteer than those with other religious beliefs. Chinese Protestants and Catholics, however, do not differ from other Asian American groups in formal volunteering. In addition, Hinduism emphasizes both giving and service. The concept of s*erva* (service) refers to the practice of giving time and menial duties to the maintenance of temple deities. Compared to *dana* (giving), *serva* emphasizes gestures and acts and, therefore, is more easily accessible to anyone willing to provide time and devotion (Juergensmeyer & McMahon, 1998).

With regard to volunteering through secular formal institutions, Chao (1999) found that Filipino Americans "participate in associations based on common locality and, in recent years, profession" (p. 203). Smith and his coauthors (1999) shared similar findings. Many Filipino and Chinese American mutual aid associations were organized along geographic lines, such as towns, provinces, or even neighborhoods, and many are composed almost exclusively of people from the same region. Studies also show that acculturation, social resources, and personal resources affect Asian Americans' volunteering behavior (Sundeen, Garcia, & Wang, 2007).

Hispanic Giving and Volunteering

The U.S. Census Bureau defines Hispanics or Latinos as those who classified themselves in one of the specific Spanish, Hispanic, or Latino categories listed on the census 2000 questionnaire—Mexican, Mexican American, Chicano, Puerto Rican, or Cuban—as well as those who indicate that they are "other Spanish/Hispanic/Latino," which includes those whose origins are in Spain, the Spanish-speaking countries of Central or South America, and the Dominican Republic or people who generally identify themselves as Spanish, Spanish American, Hispanic, Hispano, Latino, and so on (U.S. Census Bureau, 2000). In this study, the term *Hispanic* is used to describe both Hispanic and Latino populations.

There were about 48 million Hispanics residing in America in 2007, 70% of whom were concentrated in seven states: California, Texas, Florida, New York, Illinois, Arizona, and New Jersey. About 40% of Hispanics in the United States are foreign-born. It is projected that the total population of Hispanic origin will grow from 35.6 million to 102.6 million, an increase of 188%, between 2000 and 2050. Their share of the nation's total population would nearly double, from 12.6% to about 25% (U.S. Census Bureau, 2004). The percentage of Hispanics in the U.S. workforce is high, but incomes tend to be low. The median Hispanic household annual income is about $38,679, which is lower than the national median for non-Hispanic households, $54,920 (U.S. Census Bureau, 2008). The poverty rate of Hispanics is about 20.7%, compared with 24.7% among Africans and 10.6% among Asians. These statistics have significant implications for philanthropy and fundraising among Hispanics in the United States.

Although the Hispanic population in America represents 21 countries, members share many important values related to philanthropy and fundraising, such as *familial ismo* (importance of family), *personalismo* (personalism), *confianza* (trust), *espiritualidad* (spirituality), *servicio* (service), and *obligación* (obligation) (Royce & Rodriguez, 1999). The concept of family is central to understanding Hispanic giving patterns (Smith et al., 1999), both for recent immigrants and for those who have been here for many generations. The family normally extends beyond the nuclear family to include the extended family and close friends. Sometimes, it even includes all Hispanics. One's family network provides support and help for child rearing, care in times of sickness, economic and material assistance in times of need, and other psychological support in times of crisis. This traditional communal and familial support has influenced the giving patterns of Hispanics. Compared to mainstream American philanthropy, there tends to be more giving within the community and the family among Hispanics. Remittance is an example of such giving. Mexico received $27 billion remittances in 2007, which accounts for 3% of its gross domestic product, and remittances to Latin America totaled $66 billion.

Personal relationships and the web of obligations they entail are also valued across various Hispanic groups, such as Mexican Americans, Cuban Americans, and Puerto Ricans. This explains the importance of personal connections in Hispanic giving. Royce and Rodriguez noted (1999) that for Hispanics, there needs to be an intimacy about giving so that they feel a personal connection to the cause or to the people soliciting funds. The person involved in fundraising is as important as, if not more important than, the cause. The emphasis on personal connection explains why testimonials are important and effective tools in fundraising among Hispanic populations.

Another important value related to Hispanic philanthropy is trust (Cortes, 1995). In general, trust in an individual promotes charitable giving. Royce and Rodriguez (1999) found that Hispanics trust their families, close friends, and friends of the family. Trust rapidly diminishes outside the circle. In addition, Hispanics are suspicious of organizations outside their personal network, which makes it difficult for formal nonprofit organizations to solicit donations. A possible solution is to get as many Hispanics involved in formal organizations, serving either as board members or as volunteers. For those organizations with no traditional connection to the Hispanic community, it is even more critical to get Hispanics on board or to use volunteer opportunities as a point of entry to capture Hispanic prospects.

Religion is another factor that has strong influence on Hispanic philanthropy. The church is an important center of philanthropic activity. The dominant religious tradition among Hispanics in the United States is Catholicism. Therefore, the Catholic Church is the primary beneficiary of Hispanic giving outside the family and community. Smith and his coauthors (1999) find that Mexicans in the San Francisco Bay area give large portions of time and money to the Catholic Church for the upkeep of church structures, the weekly collection, the maintenance of various parish programs, and other efforts. The study shows that monetary donations to the church start at a very young age. Parents often volunteer and give to the church and church-related programs, such as Catholic schools, and tend to have a strong influence on a child's philanthropic behavior. In many ways, strong Catholic upbringing fosters the sense of community and helping out others in the Hispanic population.

Despite the dominance of the Catholic religion, there are significant differences in faith and religious practice among the Hispanic population in America. Many new Hispanic immigrants have the view that Latin America is Catholic and North America is Protestant; therefore, they tend to identify with Protestantism in the United States and join evangelical or pentecostal denominations. Royce and Rodriguez (1999) find that evangelicals give differently from Catholics. Evangelical churches use scripture regularly to explain the importance of tithing, which sets them apart from most Roman Catholic churches. In addition, the hierarchy in the Catholic Church is deeper and more pronounced than in evangelical denominations. Smith and his coauthors (1999) find some differences in giving patterns reported by Salvadorans when compared to the other Hispanic groups: Nearly 25% of the population of El Salvador is evangelical Protestant.

Other than the faith-based formal philanthropic organizations, Hispanics often give to mutual assistance associations (Cortes, 1995) or organizations focusing on the causes of arts and culture, education, child development, and people in need. Smith and colleagues (1999) find that Guatemalans in the San Francisco Bay area give mostly to social service organizations such as United Way, Easter Seals, soup kitchens, and homeless groups. They also give to organizations with strong communal roots such as the Boy and Girl Scouts. The rapid growth of Hispanic nonprofits, which are controlled or led by members of Latino communities and exist primarily to serve these communities, is likely to increase Hispanic formal giving (Cortes, 1999). Some examples of Hispanic nonprofits include the Latino Community Foundation, Hispanics in Philanthropy, and New America Alliance.

In addition to the impact of culture and religious affiliation on formal or informal Hispanic philanthropy, studies show that generation, social class, and region of the country also lead to differences in attitudes toward giving and the actual patterns of giving among Hispanic populations (Royce & Rodriguez, 1999). Second-generation Hispanics are knowledgeable about both Hispanic culture and the mainstream Anglo culture. They are more likely to contribute to local and national causes than first-generation Hispanic immigrants, who often support causes in the communities of their home countries. In terms of age, youngest and oldest Hispanics give the least, while those between the ages of 35 and 49 give the most. Moreover, Hispanics with higher education, social class, or occupation are more likely to see the importance of causes not directly connected to them and, therefore, support these causes. Studies also show that language barriers, limited financial resources, and lack of participation opportunities or not being solicited for individual gifts are perceived as principal obstacles to Hispanic philanthropy.

Overall, Hispanics give generously to families, individuals in need, or religious organizations. Their giving is mostly informal, through noninstitutional means, and sporadic. Giving through secular philanthropic organizations is a new concept to Hispanics. Therefore, to promote formal Hispanic giving, nonprofit institutions, especially Hispanic-focused philanthropic organizations, need to develop an infrastructure that helps the Hispanic community understand the importance of organized philanthropy.

Another essential element of Hispanic philanthropy is volunteering. The U.S. Census Current Population Survey shows that 14.4% Hispanics volunteered for or through formal organizations in 2008, which is up from 13.5% in 2007. However, this rate is still much lower than the rates for whites (27.9%), blacks (19.1%), and Asians (18.7%). One explanation of the low rate is that Hispanics often help and care for family, friends, and neighbors, and this type of informal volunteering is not captured by the survey. In addition, Hispanics may have a different understanding of volunteering. They may consider certain volunteering activities as fulfilling an obligation and, therefore, not identify these activities as volunteering in their responses to the survey.

Despite their overall low rate of volunteering, Hispanics volunteer extensively in the church. Royce and Rodriguez (1999) argued that "the notion of service is deeply embedded in the older Hispanic population. It derives from a sense of obligation, reciprocity, and the need to give back, and its source is both religious and secular" (p. 16). Volunteering for the Catholic Church, such as cooking meals or directing Bible study, is common among Hispanics.

Studies also show that education, income, acculturation, and the presence of children in a family tend to foster Hispanic volunteering (Sundeen, Garcia, & Raskoff, 2008). Having a child in the family increases Hispanic parents' chance of being asked to volunteer for school activities. Moreover, acculturated Hispanics have more social networks and are more likely to be asked to volunteer. To increase overall Hispanic volunteering through formal organizations, nonprofits should create an environment that makes Hispanics experience meaningful participation, a sense of belonging, and a feeling of satisfaction and of making a difference.

Summary

At the beginning of the millennium, the U.S. Census Bureau estimated that the racial and ethnic makeup of the United Stated population will dramatically change from a large majority (69%) of non-Hispanic whites to a population of about half whites and half all other race and ethnicities in the next 50 years. The census data also show that the minority populations in the United States are growing not only in numbers but also in influence and wealth. This demographic shift suggests that it is imperative for undergraduate students in nonprofit programs, who are future nonprofit managers, fundraisers, or volunteer managers, to understand minority philanthropic culture, donor motivation, and their giving and volunteering patterns

This study shows that minority populations have a strong tradition of philanthropy, just as whites do. However, minority groups donate more to informal networks and ethnic-oriented organizations than to mainstream American philanthropy. In addition, minorities tend to give to nonprofit organizations they trust, such as the church. The findings suggest that to nurture long-term charitable commitments, a nonprofit organization can provide opportunities for prospective minority donors to engage in organization leadership and then gradually build their trust. Moreover, the diversity of philanthropic culture and giving patterns among African Americans, Asian Americans, and Hispanics suggests that a nonprofit organization must develop a fundraising plan that is appropriate to the specific groups it wishes to approach. African Americans, Asian Americans, and Latinos are no longer just the takers of charity; they have substantial amounts of untapped wealth to make them prospective givers. The nonprofit sector must recognize the philanthropic potential of these minority groups and be willing to create philanthropic strategies attractive to new and diverse populations.

Notes

1. Since the 2000 U.S. Census, respondents are allowed to check multiple races. To make the data comparable to the 1990 U.S. Census, we count only the Asian alone population. If Asian Americans with two or more races are included, the growth rate and the share of total population would be even higher.

2. Although Christianity is not a traditional religion of the Chinese, the impact of Christianity on Chinese Americans' char itable behavior is also essential. It is estimated that 32% of the Chinese in the United States today are Christians, many of whom are adult converts from non Christian family backgrounds.

3. If donations hand carried from abroad and the monetary worth of in kind donations are included in calculations of chari table giving, the total amount is significantly higher.

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31

Leadership Competencies in a Diverse Culture

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Leaders need to promote and to engage in divergent thinking if they are to be effective in a world of diverse cultures. One of the critical challenges that leaders face today is how to move beyond a merely theoretical agreement to *accommodate* diversity and instead *use* diversity as a strategic lever that propels innovative ideas and solutions. The American Red Cross learned, through its response to Hurricane Katrina, how ill prepared it was to provide a suitably diverse response to the crisis. “During the days and weeks after the storm, language and cultural barriers created serious miscommunication, misunderstanding, and mistrust between the largely white volunteer corps and the [diverse] residents of the gulf region” (Asirvatham, 2007). As a result, the American Red Cross was not able to provide support to all those who needed it. At that time, both the leadership and the organization appeared not to have the necessary cultural competence or the divergent thinking to respond to the diversity of the victims of Hurricane Katrina. Since then, the American Red Cross has been asked some difficult questions by members of the House of Representatives and has engaged in a process of reflection and change (“Red Cross Makes,” 2006).

In this chapter, we review the current portrait of diversity among the leadership of the not-for-profit sector in North America. Then, we describe some leadership practices that current and aspiring leaders in the sector need to develop. We discuss what we might do to enhance diversity of thought and practice in the sector. We focus, in particular, on integrative thinking, a recent and exciting approach to rigorous thinking (Martin, 2007). We conclude with a description of an interesting initiative developed by the Maytree Foundation, which is designed to increase diversity in the leadership of the greater Toronto area. We have also included some questions that aspiring leaders in the not-for-profit sector should consider as they think about working in this challenging sector.

Portrait of Diversity

The portrait of diversity in the not-for-profit sector is disappointing. According to Tempel and Smith (2007), research has found that diversity is a significant challenge in the not-for-profit sector. The lack of diversity is most pronounced at the leadership level. Similarly, according to a 2004 study conducted by the Annie E. Casey Foundation, most of the not-for-profit leadership in the United States is white while less than half of the not-for-profit organizations they lead serve white communities (Annie E. Casey Foundation, 2004). As well, 90% of the leadership of foundations in the United States is also white (Tempel & Smith, 2007).

Compasspoint’s research on executive directors found that 82% were white and, perhaps even more significantly, that young executive directors were white, too (Watson, 2007). Furthermore, the larger the organization, the less likely it is to be headed by a woman (Joslyn, 2007). Light (2002), in his study of 250 not-for-profit executives, notes, “the data reveal not only a glass ceiling at larger nonprofits but a significant age bulge” (p. 82). Therefore, women and younger executive directors tend to work at smaller, younger organizations. A recent study of board members in the United States found that 86% were white (Joslyn, 2007). The picture is not entirely bleak, however. A recent exploratory study on social entrepreneurs found that they are likely to be female, nonwhite, younger, urban, college-educated individuals with some business experience (Van Ryzin, Grossman, DiPadova-Stocks, & Bergrud, 2009).

The Canadian picture is not much different than the American one. The leadership in Canadian not-for-profits "is primarily female, aging and not very diverse" (Toupin & Plewes, 2007, p. 130). At the board level, women are quite well represented, but the percentage of board members from different ethnic backgrounds and from visible minorities is small; for example, women hold 44% of the board seats, but whites are most likely to be on boards (average of 87.6%), followed by Aboriginals (average of 8.2%), and South Asians (average of 7.4%) (Bradshaw, Fredette, & Sukornyk, 2009). These data are disturbing, as Canada is believed to be the most ethnically diverse country in the world (RBC, 2005).

There are various explanations for the lack of diversity in the not-for-profit sector. Tempel and Smith (2007) have identified some key barriers: (a) the many pressures that not-for-profit leaders face, coupled with the competing ways they are evaluated, can get in the way of their valuing and planning for staff diversity; (b) there is a lack of diversity training for the current leadership; and (c) it is difficult to attract, retain, and promote younger, diverse individuals to become sector leaders. Others have noted that "inconvenient truth" in the not-for-profit sector:

> [The] ways we transact business, seek information, move from job to job, advance our ideas and seek collaborative partners all rely on relationships and trust. Doing what is comfortable may lead us to seek out only those we are used to collaborating with, relying on familiar networks. . . . The exercise of preference reinforces exclusion. (Lindsey, cited in Tempel & Smith, 2007)

In short, the portrait of the degree of diversity among the not-for-profit leadership is not inspiring. Furthermore, it appears that the degree of diversity in the not-for-profit sector lags that of the for-profit sector. This portrait is particularly concerning as the not-for-profit sector, at its heart, exists to right social injustice. Light (2002) presents a sobering insight on the consequence of organizational exclusion—or lack of diversity—when he notes,

> To the extent the nonprofit sector sharply constrains the number of new organizations in coming years, it will lose an important training ground for the young, female, and nonwhite executives . . . to fill the leadership posts about to be vacated by the older, male, and white executives at its larger, flagship organizations. (p. 83)

The North American not-for-profit sector is already facing a serious leadership deficit that is likely to worsen. As Crutchfield and McLeod Grant (2008) note, "At a time when the social sector is growing in size and importance, the need for skilled leadership has never been greater" (p. 176). According to Tierney (2006), the not-for-profit sector in the United States will need to find 640,000 new executives by 2016. The leadership deficit is large, and the demand for competent leaders is growing: "The steady rise in the number of non-profits and the commensurate need for more management talent shows no sign of stopping" (Tierney, 2006, p. 29). The picture in Canada is similar. In addition, there is concern that younger individuals may not be attracted to the not-for-profit sector as they can often get better salaries and working conditions in the for-profit sector (Toupin & Plewes, 2007, p. 130).

Leadership Competencies

The leadership literature is vast and will not be reviewed here. Rather, we focus on some of the current thinking about what makes an effective leader in the not-for-profit sector, today and tomorrow. Light (2002) notes, based on his research of excellence in the not-for-profit sector, that "it is impossible to overstate the importance of the leader to the high-performing organization" (p. 50). His findings identify five key conditions that a not-for-profit leader needs to create for followers so that they can succeed: (1) foster open communication, (2) motivate people, (3) fundraise, (4) clarify board/staff relationships, and (5) embrace participation (Light, 2002). One of the respondents to his study describes the tensions of being an effective leader, noting that leadership involves inspiring inspiration in followers *and* helping them find their own inspiration.

Servant leadership is a model that leaders in the not-for-profit sector should examine as one way to encourage their followers to find their own inspiration. The concept was first articulated by Greenleaf (1977), who was inspired by the character Leo in Hermann Hesse's book, *Journey to the East*. Leo is a servant, and when he disappears, the group he served struggles to stay together and then disbands. Greenleaf says,

> This is my thesis: caring for persons, the more able and the less able serving each other, is the rock upon which a good society is built. . . . If a better society is to be built, one that is more just and more loving, one that provides greater creative opportunity for its people, then the most open course is to raise both the capacity to serve and the very performance as servant of existing major institutions by new regenerative forces operating within them. (Quoted in Greenleaf Center for Servant Leadership, 2008)

Servant leadership entails a desire to serve and to empower followers. It has been labeled Theory S and contrasted to Theory X, Y, and Z styles of leadership (Stone & Winston, cited in Wong, 2003). Theory X views followers as lazy individuals needing to be controlled. Theory Y views followers as individuals who are self-motivated, and Theory Z tries to incorporate both views (Wong, 2003). Theory S is closest to Theory Y; it assumes that followers will respond well to those leaders who serve and empower them in their work. While Theory S is grounded in a

Judeo-Christian tradition and practiced by some Christian church leaders, its 10 competencies have broader application, especially for leaders in the not-for-profit sector. They are: (1) listening, (2) empathy, (3) healing, (4) general and self-awareness, (5) persuasion, (6) conceptualization to "dream great dreams," (7) foresight, (8) stewardship, (9) commitment to the growth of followers, and (10) building community (Spears, 2004). Practiced together, these 10 competencies should help leaders in the sector to respond to the diversity of their followers by giving them voice. The leaders, in turn, should be able to grow in their ability to think beyond their own lived experiences and beyond the scope of their own interests.

Similarly, Badaracco's (1998) model of moral leadership should help leaders in the not-for-profit sector to be guided by their moral compass as they make decisions. Badaracco highlights the importance of defining moments in shaping who we are and how we act. He describes a defining moment as one "that challenges us . . . to choose between two or more ideals in which we deeply believe. Such challenges rarely have a 'correct' response" (Badaracco, 1998, p. 3). In defining moments, leaders need to manage the tension between diverse and possibly divergent values and make a choice that permits some sort of harmony between or integration of them. Defining moments "force us to find a balance between our hearts in their idealism and our jobs in their messy reality" (Badaracco, 1998, p. 11). If defining moments lead to a process of self-inquiry and reflection, leaders can learn from them and shape and refine their moral compass. The task is daunting but vital so leaders in the sector can build their character as they use their moral compass.

Current and future leaders need to be able to respond to the increasing diversity around them, both demographic and intellectual. Leaders need to become culturally competent, at a minimum. Rose (2008) urges not-for-profit leaders and staff to get an in-depth appreciation of the cultures of the individuals their organizations are serving. According to Egan and Bendick (2008), cultural competence is a "set of congruent behaviours, attitudes, policies . . . in professionals that allows them to work together" (p. 391). They see personal cultural intelligence as having four elements:

1. *Metacognitive intelligence* the ability to perceive others' cultural preferences before and during interactions
2. *Cognitive intelligence* knowledge of socioeconomic dynamics of other cultures
3. *Motivational intelligence* desire to learn about and function in situations involving cultural differences
4. *Behavioral intelligence* the ability to exhibit situationally appropriate behaviors

Their model is useful as it highlights the complexity of becoming culturally competent while highlighting some possible levers leaders can use to effecting personal development. The idea of cultural fluency expands the model of cultural competence. According to LeBaron, it is "the ability to internalize and respond to a range of different worldviews or perspectives . . . to understand a range of starting points and cultural currencies, and to be able to respond to [them] in related contexts" (quoted in Hartley, 2005, p. 1). LeBaron provides a helpful metaphor in explaining her concept of culture: She describes culture as an "underground river because it is fluid, changing and hugely influential but often outside people's . . . awareness" (Hartley, 2005, p. 1). Leaders in the not-for-profit sector should practice heightened awareness of the cultural differences among all its stakeholders so that they can have more thoughtful impact in their work. There is an interesting paradox here as leaders need to become more conscious of the degree of cultural diversity so that they become more culturally fluent. And doing so will make them better able to manage the differences between them their different and differing stakeholders.

Becoming culturally competent and fluent is not an easy process, and strong individual and organizational forces of inertia can hinder the process. The most pervasive of them is prejudice. Although it may be consoling to think that individuals and organizations are free of bias, particularly in the not-for-profit sector, discrimination continues to plague society in North America. For example, Wesley (2008), in her in-depth study of minority women in executive-level positions in American not-for-profit organizations, found that an individual's race and gender can affect career progress. Other research hopefully suggests that people can overcome their biases by changing their thinking to see people as individuals rather than as members of a group (Thiederman, 2008). She argues that it is possible to "bust bias" because there

> is no genetic predisposition to bias, no bias gene rides on our chromosomes, there is no DNA test that can identify who is biased and who is not. Bias is learned. It is an acquired habit of thought rooted in fear and fuelled by conditioning and, as such, can be unacquired and deconditioned. (Thiederman, 2003)

To deal with prejudice in organizations, Ashburn-Nardo, Morris, and Goodwin (2008, pp. 333–334) suggest, perhaps paradoxically, encouraging confrontation of discrimination, noting that "encouraging confrontation may see like a counter-intuitive." However, they use a definition of confrontation—expressing dissatisfaction about discriminatory behavior to the individuals engaging in such behavior—that can range from subtle to more direct confrontations. They have developed the confronting prejudiced responses (CPR) model, which should be useful to individuals in the for-profit and not-for-profit sectors. Their model is essentially decision process of five steps, each of which can be a behavioral hurdle. Assuming that there is a discriminatory event, then the first question is "Is the event interpreted as discrimination?" If the answer is yes, then the next question is

"Is the event interpreted as an emergency?" If the answer is yes, then the next question is "Does the observer take responsibility?" If the answer is yes, then the next question is "Does the observer identify a response?" If the answer is yes, the next question is "Does the observer take action?" And if the final answer is yes, then the outcome is to confront the discrimination. If the response to any of the questions is no, then the outcome is not to confront discrimination. Not-for-profit leaders can become trained in this model so that they act to address and confront discrimination in their workplaces and beyond.

Besides becoming culturally competent themselves, leaders need to create organizations that are culturally competent so that they can attract and retain a diverse staff and volunteers. Leaders should begin with an initial audit of the level of cultural competency in their organizations and then engage in cross-cultural training for the staff and volunteers. In addition, leaders need to ensure that the organization's symbols are culturally appropriate. It is important that a commitment to diversity and cultural inclusion are incorporated into the organization's mission and values (Del Castilla & Zalenski, 2008). Not-for-profit organizations have been urged to create a senior role of diversity officer as one way to improve diversity and to signal its importance (Asirvatham, 2007). Leaders need to be able to deal with the inevitable conflict that will arise from the diversity of cultures and thoughts and serve as boundary spanners within their organizations and with the organization's stakeholders (Del Castilla & Zalenski, 2008). Leaders need to model the way, create succession plans so that their values continue after they leave, look out for diverse talent, and celebrate diversity (Anft & Joslyn, 2007). Furthermore, it is vital that a commitment to diversity and inclusion shape the values of the organization. Recent research on the basis of volunteers' commitment to their jobs highlighted that the greatest motivating factor was values. When volunteers are matched with jobs that are congruent with their values, they are likely to be happier and to continuing volunteering (Upsher-Myles, 2007).

According to Lipman-Blumen (2002), leaders must learn to integrate two opposing tensions—interdependence (e.g., overlapping visions, mutual problems, and common goals) and diversity (e.g., diverse nature of individuals, groups, and organizations). Leaders must face, address, and integrate the two and develop their ability to be connective. The world has now become so connected that leaders need somehow to understand and address the paradox of connection and difference. According to Lipman-Blumen (2002),

> [Unlike] individualistic leaders before them, connective lead ers, can see the overlap between their own visions and those of other leaders. Eventually, through joint action on even small problems, stereotypes of opponents often soften, empa thy sprouts, and the common ground expands. (p. 91)

Connective leaders are characterized by six key competencies:

1. Being political, but ethical, savvy
2. Displaying authenticity and accountability
3. Engaging in a politics of commonalities, which is inclusive
4. Thinking long term and acting short term
5. Leading by expectation
6. Pursuing a quest for meaning

Being a connective leader is not easy; however, as not-for-profit leaders work in a diverse and interdependent culture, the connective leadership model gives both guidance and comfort as they navigate the uneven and unpredictable terrain. The idea of connective leadership seems to capture the spirit of *ubuntu*, an African word for which we have no North American equivalent. According to Tutu (2009),

> Africans have this thing called UBUNTU. It is about the essence of being human, it is part of the gift that Africa will give the world. It embraces hospitality, caring about others, being able to go the extra mile for the sake of others. We believe that a person is a person through another person, that my humanity is caught up, bound up, inextricably, with yours. When I dehumanise you, I inexorably dehumanise myself. The solitary human being is a contradiction in terms and therefore you seek to work for the common good because your humanity comes into its own in belonging.

Integrative Thinking for Diversity

Plato's observation on the role of introspection and critical discourse in enabling personal and professional development has relevance for the not-for-profit sector. It points to why approaching diversity from an integrative frame is important: Social innovation is facilitated when individual and organizational actors are able to develop common standards of critique and debate in a genuine quest for newer, more robust models with the potential to increase the sector's contributions.

One essential prerequisite to capturing all the value that comes from the not-for-profit sector is to harmonize the potentially disparate understandings of the value of diversity. This is a critical first step. To take on the big, tough questions of our age—such as poverty reduction, equal opportunity employment, accessible education, global health solutions, environmental sustainability, and social exclusion, to name only a few—the not-for-profit sector must have a framework that promotes equity of voice regarding idea generation and the subsequent program design and evaluation. This, however, is much easier said than done, as the demands of funders and stakeholders are often quite divergent. On the one hand, activists and community organizations are reacting to the harsh realities on the ground. Meanwhile, the business sector, which is becoming an increasingly important partner in social transformation, demands the metrics of success that demonstrate a systemwide return on investment. This tension has led to the emergence of a new cadre of leaders, social entrepreneurs, who try to marry the best of social mission and business practice; two examples are the late actor Paul Newman and Jeff Skoll, founding president of eBay.

In his *Dialogues*, Plato presents a powerful argument for the necessity of a community of practice that engages in critical thinking when he notes that it

> is in the rubbing together of these [ideas], each with the other names and definitions, and things seen and sensed, . . . testing them in arguments with goodwill and questioning and answering without jealousy, there flashes forth the light of intelligence and reason with respect to each thing. (Cited in Desjardins, 2004, p. 212)

The philosopher's choice of metaphor ("flashing forth") is an evocative one. In our view, a reasonable interpretation is that Plato was speaking of diversity of thought, an emergent yet incredibly important area in social transformation. However, one of the obstacles to the articulation of unconventional approaches within organizations is self-censorship. Self-censorship is often a result of a fear of judgment by others within the organizational context. Only when leaders set the tone by engaging difference as a source of a positive, creative tension can the stigma around raising unconventional ideas be lessened. Integrative thinking is one tool that enables leaders to so do.

Integrative Thinking

Integrative thinking is the ability to face the tension between opposing models so that we do not pick one but we generate a creative resolution or model. As Martin, the thought leader on integrative thinking puts it,

> The new model contains elements of the individual models but is superior to each. This means that Integrative Thinkers are model creators not model takers. . . . It means that whenever you face a decision between two options, don't think that your job is to choose: think that your job is to create a better option. (Dcontinuum, 2009)

Integrative thinkers have several distinguishing characteristics: (a) they take a very broad view of what is salient and do not mind dealing with messy, complex problems; (b) they do not flinch from considering multidimensional and nonlinear causal relationship; (c) they do not break down problems to work on each component separately but keep the entire problem in their minds as they work on the problem; and (d) they will look for creative ways to resolve the tension, rather than accepting trade-off (Martin, 2007, pp. 41–43).

Being an integrative thinker is not easy. However, Martin (2007, pp. 144–157) has developed some tools that can help us become integrative thinkers. The first tool is generative reasoning, which is a process that asks not what is but what might be. Generative reasoning is useful for helping us develop frameworks for addressing creative tensions. The second tool is causal modeling, which helps us understand the nonlinear and multidirectional links between relevant variables. Martin illustrates the tool of causal modeling by describing the pioneering work of Taddy Blecher, founder of CIDA City Campus in South Africa. Blecher built a causal model that helped him go from the existing state of disadvantaged, disempowered black youth who had neither hope nor opportunity to his desired end state that they would have self-esteem and opportunity. The third tool is assertive inquiry, which requires us to explore opposing models and, in particular, models that oppose our own. Used together, these tools should help leaders better understand the diversity and the complexity of the not-for-profit sector but also become more agile thinkers. In essence, agile thinkers have growth mind-sets (Elmhirst, 2006). Dweck (2006), who developed the distinction between fixed and growth mind-sets, describes the individual with a growth mind-set as follows: "Because you believe your basic talents and abilities can be cultivated, the whole goal is to learn and improve" (Elmhirst, 2006). Agile thinkers have a growth mind-set, coupled with a stance of openness, and are therefore better able to understand and face the messy realities in which they work.

Maytree Foundation Initiative: DiverseCity

The Maytree Foundation was founded in 1982 in Toronto, Canada, and began working on the issues of multilingual literacy and refugee settlement. Since then, it has expanded its work such that it now has a significant role in generating social action and policy on making Canada a more diverse and inclusive country. The foundation sees its role as

> [investing] in leaders to build a Canada that can benefit from the skills, experience and energy of all its people. Our policy insights promote equity and prosperity. Our programs and grants create diversity in the workplace, in the boardroom and in public office, changing the face of leadership in our country. (http://www.maytree.com)

In 2005, the foundation launched its abcGTA initiative, which was renamed DiverseCity: The Greater Toronto Leadership Project in 2008. The foundation works in partnership with Toronto City Summit Alliance to support the initiative. DiverseCity consists of a group of projects led by prominent community individuals "who recognize the potential and value of diversity in leadership for the region's social and economic prosperity" ("DiverseCity

Counts," 2009). The DiverseCity initiative has eight components: (1) Nexus, a speakers' series; (2) Fellows, fellowships for rising leaders; (3) onBoard, a program to match diverse candidates with governance positions; (4) Civic Leadership, a program to equip new leaders to run for office; (5) Voices, which connects subject-matter experts to media; (6) Advantage, which builds a research base on the advantages of diversity; (7) Perspectives, a discussion forum; and (8) Counts, which tracks progress. Its first DiverseCity Counts report found that visible minorities are underrepresented in the most senior leadership positions in the greater Toronto area. About 45% of the population in the greater Toronto area are visible minorities. In particular, among the largest charitable organizations and foundations, visible minorities represent only 8% of executives and 14% of board members ("DiverseCity Counts," 2009, p. 2).

While the initiative is still in its early stages, it shows promise as it provides a systemic and multipronged approach to increasing diversity of participation in the community. In addition to the research that DiverseCity is sharing, there are diversity resources available from the Annie E. Casey Foundation, the Center for Assessment and Policy Development in New Jersey, and the Cultural Competency Initiative, which is a project of the Alliance for Nonprofit Management, among others ("Advice on Diversity," 2007).

Summary

Both leaders and organizations in the not-for-profit sector face significant challenges if they are to become diverse in practice and thought. This chapter has outlined the nature and the challenge and provided some intellectual tools to assist. The sector needs talented young people as it is facing a significant leadership deficit in North America. The sector needs to attract, to retain, and to develop a diverse pool of young people who have the passion and the intellectual rigor to confront and address social injustices. As Schmitz and Stroup (2005) urgently and correctly note,

> [All] parts of the nonprofit world must unite to develop additional ideas and push for resources to be directed [toward] the most promising approaches. At a time when nonprofit groups are being asked to do more with less, steps should be taken to assure that a talented and diverse work force is available to ensure the future effectiveness and growth of organizations working to improve communities at home and abroad.

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32

ATTRACTING LEADERSHIP FROM ACROSS DIVERSE COMMUNITIES

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The United States is increasingly recognizing the importance of an inclusive, diverse, multicultural environment. From the political scene to multinational corporations to small nonprofits, the message of diversity is emphasized. Unfortunately, although many nonprofits can identify the importance of diversity, there is not much research that is directed at the nonprofit structure and culture. Questions ranging from "what is diversity" to "where do you find diversity" can be difficult for both new nonprofits and those celebrating their centennial. This chapter provides the basics and some specific models for nonprofits desiring to incorporate diverse leadership into their organizations. First, definitions of diversity are provided, followed by a discussion of why diversity is important. The next two sections detail general strategies for recruiting diverse leaders and four specific models for approaching diversity. These models are followed by a checklist of factors to avoid and to encourage. Prior to the conclusion, a brief section, targeted at undergraduate students, suggests some avenues for beginning their education on and experience with diversity while in school. This chapter concludes with possible areas for future research regarding diversity issues.

What Do We Mean by Diversity?

The term *diversity* is used quite frequently, but what do we really mean when we say diversity? How are we to know when we have achieved diversity? One way to define diversity is to divide it into demographic and functional diversity. Demographic diversity refers to composition, such as having equal numbers of men and women or having populations from ethnic groups proportional to the served community. Functional diversity, on the other hand, is having a variety of voices and perspectives in the policy-making processes. Thus, one could be functionally diverse by accounting for multiple communities' concerns without being demographically diverse; ideally the organization should have both types (Daley & Angulo, 1994).

Another way to categorize diversity is by observable attributes and underlying attributes. Observable attributes are those that can usually be easily detected, such as race, gender, and age, whereas examples of underlying attributes are attitudes, values, and socioeconomic status (Brown, 2002). In a similar vein, one can assess diversity via primary versus secondary characteristics. Primary dimensions are associated with prominent identity factors including age, ethnicity, gender, mental/physical characteristics, race, and sexual orientation. In comparison, secondary dimensions can be education, family status, military experience, organizational role and level, religion, first language, geographic location, income, work experience, and work style (Frusti, Niesen, & Campion, 2003).

Another type of diversity is cognitive diversity, which is evaluation of one's educational experience. Consideration is given to nontraditional education, the continual practice of education in and outside of a person's job field, and varied backgrounds in both for-profit and nonprofit organizations (Glasrud, 2003). Sometimes, a specific definition of diversity is not desired, but rather a general focus on diversity as difference is used. Difference can involve ethnicity, gender, sexual orientation, age, religion, class and economic status, parental status, or having a physical or mental challenge. Yet other differences can include private identities that vary such as recovering alcoholic or incest survivor (Delphi Consulting Group, 2007; Gitin, 2001).

Organizations can generally be placed into one of three types regarding diversity: monolithic, pluralistic, and multicultural. Monolithic organizations are mostly homogenous groups, which may have a few minorities but where culture is expected to conform to the majority. Pluralistic groups have achieved diverse representation, usually accomplished via specific recruitment efforts, but this diversity is not incorporated or valued in a meaningful manner. Multicultural organizations, the most successful type of diverse organizations, value diverse members, encourage all members to learn from one another, and incorporate some norms and values of the underrepresented groups (Cox, 1991).

Clearly, there are various ways of approaching and defining diversity. However, there are always two important points to consider when evaluating diversity. One, do not reduce diversity to just race and gender. Although race and gender are extremely important, they are not the only components to consider, and other less directly observable traits are necessary to incorporate. Two, assess what kind or type of diversity is needed or most relevant for each particular organization. A successful organization speaks to and represents its community needs. For example, an organization that targets immigrant communities may prioritize diversification based on Spanish dialects, geographic region, and socioeconomic class, while an organization that seeks to expand camp counselor diversity may focus on race, gender, and sexual orientation. In an ideal world, nonprofits would have equal representation based on numerous facets, but this goal is neither realistic nor accomplishable. Organizations' diversity plans should primarily be focused on their particular culture, community, and needs.

Why the Focus on Diversity?

Diversity and multiculturalism are big buzz words in today's economy, and both individuals and organizations are increasingly expected to know that diversity is important and why. Some of the reasons are more obvious. For example, in regard to race, the United States has elected its first black president; nonwhite populations are expected to almost equal the white population by 2050, and the 2008 U.S. Census population projection states that those who identify with two or more races will triple by 2050, from 5.2 million to 16.2 million (Bernstein & Edwards, 2008; Cheeseman Day, n.d.). In regard to gender and sexual orientation, women are no longer restricted to the household and are participating equally in many sectors of the labor force, and gay and lesbian families live in 99.3% of all counties in the United States (Human Rights Campaign, 2001; U.S. Department of Labor, 2008). Moreover, based on a survey of 704 foundation boards, only two in five foundations have one or more people of color on their boards. The majority of minority board members identified in the surveys serve on community foundation boards rather than on family foundation boards (Bryson, 2004). The demographic changes in and political movements associated with race, gender, and sexual orientation help to make clear why people from these groups must be involved, but other facets of and reasons for diversity also need consideration.

The reasons to recruit multiple types of diversity and to create a supportive atmosphere for diversity are many and prudent for developing a successful and sustainable organization. On a base level, a diverse organization invites different ideas and perspectives that can lead to innovation, creativity, and problem solving (Brown, 2003). Specifically in regard to nonprofits, board diversity is often a priority. Board diversity can help in reaching a variety of constituents and donors, attaining fair representation of constituents, reflecting organizational values, accomplishing requirements of funders, and expanding knowledge to make optimal policy decisions (Bryson, 2004; Gitin, 2001).

In addition to the organizational benefits derived from diversity, there is also a moral facet to diversity. Diversification needs to be understood within the long U.S. history of tumultuous struggles between those *with* and those *without.* Diversity means providing everyone with a voice, particularly those who have been silenced in the past, for if philanthropy is supposed to express "love of humanity, then how broadly or narrowly that humanity is defined opens or closes the doors of diversity" (Gitin, 2001, p. 79). And, as Gilbert Casellas of Dell, Inc., says, "Frankly, the argument about making a case for diversity is as silly as making a case for oxygen or gravity, that surround us each and every moment. Diversity is an inescapable fact of life" (as cited in Berman & Gunderson, 2008, p. 4). Attaining a strong understanding of why diversity is important and necessary is the first step in a diversity plan—moving forward with diversity initiatives solely because one feels pressure to do so or because one is told to do so will most likely result in frustration and defeat.

Attracting Diverse Leaders

An organization can follow some general strategies to attract leaders from diverse communities. These strategies can be organized into internal activities and external activities or, in other words, actions to take within the organization's culture and workings and actions to take outside in the community. Internal and external general strategies are described in the next section.

Internal Activities

Before an organization even begins job postings or other recruitment activities, much work needs to be done with both the material and immaterial facets of the nonprofit. Four main steps can be proposed: (1) assess and evaluate the organization, (2) plan for changes, (3) use leaders, and (4) create a special committee(s) on diversity. The first step is to assess the history and context of the organization: What is the history of diversity at the organization? What methods were previously used to increase recruitment? What does the current situation look like? Do not be afraid to provide answers that are positive, negative, or perhaps mixed. Having an honest assessment of where the organization has been and how it appears today will greatly aid in creating a realistic diversity plan (Daley, 2002).

Within this assessment, one might consider particularly evaluating the *cultural competency* of the organization—a set of behaviors, attitudes, and policies that lets people work together in cross-cultural situations (Del Castillo & Zalenski, 2008). Focus should be on barriers and avenues that permit people to work together. Sometimes, such an assessment can lead to acceptance of unearned privileges such as white privilege (social and economic benefits that are strongly correlated with having phenotypical features that are deemed white), upper-class privilege, male privilege, heterosexual privilege, and able-body privilege (Bryson, 2004). People can be reluctant to recognize or accept such privileges, but this process is often essential; privilege assessment helps in recruiting *and* retaining diverse leaders as denial or unfair use of these privileges will likely make the targeted marginalized communities feel unwelcome. Gitin (2001) specifically notes the crucial need for white boards to confront and accept their white privilege; this often requires much self-education and training workshops. A good example of this practice is the "Changing and Healing Racism" workshops in the W. K. Kellogg Foundation, which "has a general mission to be anti-racist" (as cited in Berman & Gunderson, 2008).

After evaluation, the next step is to plan for the changes that will take place: Identify key actors and their roles, create a conceptual framework for board diversity, account for multiple possible outcomes and changes, and ensure proper authorization for the diversity plan. The above steps will aid in defining and analyzing the problem, setting specific goals, and developing an actionable plan (Daley, 2002). The plan for recruitment usually necessitates a change in governance documents and processes. Governance documents such as mission statements, grant guidelines, and job postings should reflect the goals of diversity and the organization's inclusiveness (Bryson, 2004; Delphi Consulting Group, 2007). A good example of this point can be seen via the California Endowment, which accomplishes this by posting a Diversity Statement and Plan on its website (Delphi Consulting Group, 2007). However, before changing documents or posting significant website changes, it is probably best that everyone internal to the organization be consulted and at least notified of the intentions. Moving forward on a diversity plan that without everyone's understanding and agreement may lead to some members feeling alienated, a particularly detrimental sentiment to foster in nonprofits.

This point leads to the next step, using leadership to help get everyone on board. It is imperative that the leadership of the organization be proactive and supportive of the diversity agenda. Effective leaders have the ability to form the cultural core of an organization and can transmit messages on diversity goals via teaching, coaching, role modeling, reward allocation, recruitment, and promotion (Jaskyte, 2004). Leaders "can motivate employees to pursue goals that may not have otherwise been attempted, alter employees' values through changes in the psychological contracts (unwritten commitments made between employees and employers), and encourage the need for change" (Jaskyte, 2004, p. 154). Implementing a diversity plan is also a great avenue for fostering new leaders; consider putting new leaders into place who are a part of the targeted community. Using leaders will be particularly helpful if the ideas or investment needed is new to the organization. Remember, "people drive policies, not the other way around" (Bryson, 2004).

The fourth main step is to form official committees or councils to direct the diversity initiatives. Committees or councils assume the bulk of planning and overall act as the directors and advisers on the plan. When specifically trying to recruit a new board member, a nominating committee is often advised. Independent nomination committees screen potential applicants, conduct interviews, and provide recommendations to the full board for candidates (Brown, 2003, 2007; Mccrory, 2004). It is central that the members of these committees have a firm grasp of what diversity is and why the plan is being undertaken. In this vein, it is important not to conflate diversity expansion with affirmative action. Gilbert, Stead, and Ivancevich (1999) make a valuable contribution to this discussion by offering a distinction between affirmative action and what they term *diversity management.* Affirmative action is recruitment of specific individuals, most often guided by quotas. Diversity management, on the other hand, is the recruitment of targeted groups *and* a holistic change in the demographic and cultural facets of the organization. Achieving such change requires conscious efforts on the part of management to welcome a new diverse atmosphere, instead of merely adding people who look different.

After evaluating and working on these four steps, it is time to begin on external activities.

External Activities

The vast majority of work in attracting diverse leaders is done inside the organization as it sets the solid foundation for successful recruitment and retention of diverse individuals. Only after (a) the leaders of the organization have undertaken the diversity plan, (b) the culture of the organization has been primed for change, and (c) a clear plan with explicit goals and dates is set in place, should recruitment efforts begin. Attracting diverse leaders entails looking in new places, considering locations overlooked in the past, and capitalizing on informal networks (Brown, 2007; Daley, 2002). Two main tactics can be used to attract individuals (although they are not necessarily mutually exclusive). One, work with a community/organization on its projects and find a way to serve that community—this route gives trusting relationships a chance to develop, leading to later possibilities for recruitment. Providing service and help to others as the *first* step, before asking for one's owns desires, usually works best. Two, place advertisements and send e-mails to the desired targeted communities. For instance, you can send e-mails out to organizational or community listservs or put job advertisements in local shops and newspapers. Note, the content and layout of advertisement and recruitment messages can affect successful recruitment; ensure that a diversity mission statement is written and that the wording of the advertisement reflects the goals of the diversity plan. In particular, Perkins, Thomas, and Taylor (2000) found advertisements intended to recruit racial minorities were more successful if they portrayed racial diversity (the portrayal of racial minorities had no adverse effects on whites). As you continue the recruitment process, remember to be open to changes in communities because communities are living, changing entities and require constant attention (Bryson, 2004; Del Castillo & Zalenski, 2008). Once potential candidates are discovered, avoid being quick to dismiss them based on seemingly necessary criteria. A part of attracting diverse leaders is handling diverse backgrounds, so if need be, create "customized commitments" regarding time restrictions, missed meetings, and child care. Furthermore, hiring the best person sometimes means providing training. If the position is for a board member then try not to require large financial donations (Del Castillo & Zalenski, 2008; Mccrory, 2004).

If recruitment of the desired individuals is not immediately successful, do not lose hope or permit frustration to build. People from socially marginalized groups have often been excluded from nonprofit structures in the past and are likely to have anxiety about joining. Also, many times, marginalized communities already have their own organizations that reflect their specific needs, such as Hispanics in Philanthropy (Gitin, 2001). On the whole, developing trust and relationships with diverse communities requires a firm commitment, time, and patience. Depending on the history of the organization, the climate of the community, perceptions of trust, and the loftiness of the diversity goals, successful incorporation of diversity can take anywhere from a few months to years.

Models for Attracting Diverse Leaders

This section outlines four models for attracting diverse leaders: the diversity competency model, an organizational approach, a grounded theory approach, and board diversity-value added. The first two models are directed at for-profit organizations, but the tactics and strategies can easily be transferred to nonprofits. As stated before, the depth of research on diversity in nonprofits is lacking, so it is incumbent on the nonprofit sector to take some pointers from the for-profit world, where more research on recruitment models has been done. The next two models, a grounded theory approach and board diversity-value added, are targeted at nonprofit structures. The grounded theory approach centers on forming enduring relationships across diverse people. The second model is guided by J. Rutledge, one of the first people to focus on diversity in nonprofits.

The Diversity Competency Model

Diversity competence is "an individual's ability to respect each person's uniqueness" (Frusti et al., 2003). This model was developed by Patrick Clayton, but the following information on using this model is derived from the article, "Creating a Culturally Competent Organization" by Frusti and colleagues. (2003). The model is based on four results-oriented goals: marketplace success, ability to compete, performance, and increased capability of staff. These goals are achieved via four key components: drivers, linkages, cultures, and measurements. Drivers refer to how an organization leads and responds to both internal and external forces. In this realm, leaders are evaluated on setting and directing diversity plans, including values, goals, and systems. Linkages are just what they sound like: how diversity is integrated (or "linked) throughout an organization. Here, the system should be judged to see if it supports the diversity goals and requirements; an organization's documents, policies, performance review tools, and guidelines should be appraised to make sure they support diversity. The third element is culture or how an organization creates and maintains an environment that reinforces desired behaviors. In regard to diversity, *culture* refers to how a diverse staff is developed and used. Four skills are needed to foster a successful culture. The first one is human resource diversity planning, which puts diversity goals and planning into specific recruitment and retention practices. The second skill is development of diverse employees by supporting people to help them reach their highest potentials. Diversity education, training, and development is the third skill; this factor focuses on employees' diversity awareness and biases. The fourth and final skill is development of a respectful work environment. Here, the concern is to create, maintain, and improve the environment and climate of the organization so that all people feel welcome and integrated. The diversity competency plan also focuses on measurement. It is intended to be evaluated for continuous progress and results, with scores assigned to the approach, deployment, and results of the diversity initiatives. Integrating the four main elements and measurement tools can guide nonprofits toward successful recruitment and retention plans.

An Organizational Approach to Creating Diversity

Allen and Montgomery (2001) use an organizational framework to elaborate on steps that an organization must take to accomplish diversity goals. This approach focuses on three steps: unfreezing, moving, and refreezing. Unfreezing refers to the disruption of the current culture of the organization. All members have to learn why diversity is important and the benefits that can be accrued by increasing diversity. Managers, in particular, should get sensitizing training if necessary as they need to be symbolic messengers of support for expanding diversity. The goals of the diversity plan should be clearly articulated and explicit as well as tailored to the organization's specific needs.

After unfreezing the culture, the organization should embark on "moving" or taking the steps necessary to achieve cultural change. Several different types of programs should be undertaken to aid in recruitment, such as internship programs, training/education programs, and mentoring and career development programs. Coinciding with this recruitment, organizational members should receive diversity awareness and sexual harassment training.

The third and final step is refreezing. This step ensures the cultural changes remain stable and the work to promote change is not lost. Existing procedures and policies should reflect diversity goals as well as job recruitment, compensation, and evaluation. Programs to survey and hold managers accountable for sustained diversity should be put in place—bonuses, compensation, advancement, and other rewards that are linked to diversity initiatives can be particularly effective in encouraging more growth and maintaining changes. The symbolic labels of unfreezing, moving, and refreezing in the organizational approach help to clarify what is undertaken in change—change cannot take place until there is fluidity, and change will not remain unless it is solidified in place.

A Grounded Theory Model in Voluntary Organizations

The following model is not about internal organizational assessment and recruitment practices as found in other models; instead, it focuses on how to build social capital between diverse individuals, which permits long-standing and trusting relationships. The intention of this model is to inform people what factors are important for creating relationships, especially across strained racial/ethnic lines. The model is set forth by J. Y. Weisinger and P. F. Salipante (2005, 2007). Organizations may face a particular set of problems when trying to attract and retain people from traditionally underrepresented racial and ethnic groups. Nonprofits are often honest in intent and motivated by their mission to improve diversity, but a lack of shared experiences and skills to communicate with others can be barriers to success. Thus, initial ties and relationships can be made while the necessary sustained relationships and strong social capital are not created.

Weisinger and Salipante put forth a two-pronged process model, processes 1.1 and 1.2 and processes 2.1 and 2.2, to accomplish meaningful interactions between racially diverse members. The first prong centers on increasing the numbers of the targeted group, and the second prong centers on turning these numbers into relationships where all are incorporated into the organization's mission and activities. Process 1.1 is labeled attraction through bonding whereby the targeted individuals are recruited and put into homogenous subgroups within the organization. Process 1.2 or organizational adaptation consists of the organization gradually modifying practices to be more inclusive of the needs and preferences of the targeted groups/subgroups. These two processes achieve more diverse representation and communicate the organization's diversity mission to the targeted communities. Processes 2.1 and 2.2 build on this foundation. Process 2.1, recategorization, entails disrupting the homogenous subgroups, incorporating them into the larger framework, and then creating diverse mixed groups. Process 2.2, the performance of organizationally distinctive routines, results in the recategorized mixed groups conducting practices that embody the organization's mission and values. As a part of processes 2.1 and 2.2, organizations should create interactions whereby individuals are seen as equals, and learning from each other is emphasized. The overall goal of this model is to take small sequential steps that lead toward creation and maintenance of pluralistic interactions across a diverse range of individuals to foster relationships built on mutual respect and trust.

Board Diversity-Value Added!

Perhaps one of the best-known and respected advisers on diversity improvement for nonprofit organizations is Jennifer M. Rutledge. Rutledge (1994) published *Building Board Diversity,* the first major publication that explained the necessity for diversity improvement and how to attain it. She is now partner and vice president of Delphi Consulting Group, Inc., and continues to lead diversity workshops. The following information does not represent a specific model, per se, but it outlines Rutledge's approach to and steps for accomplishing an effective and welcoming diverse organization. This information is derived from the webcast *Board Diversity Value Added* (Delphi Consulting Group, 2007).

First and foremost, emphasis is given to the ideas of both diversity (visible and invisible difference) *and* inclusion, "the practice of welcoming, engaging, and embracing all who support the organization's mission, vision, core values, plans and priorities in meaningful and significant ways" (p. 8). Five steps and strategies are a part of a typical cycle of building board diversity, and all five of these steps must be supported and directed by the *drivers,* also known as the leaders. Drivers must possess 6 Cs: commitment, clarity, communication, coordination, competence, and courage. The five strategies are: (1) building commitment and organizational assessment, (2) assessing and planning, (3) building awareness and acceptance, (4) taking action, and (5) evaluating progress.

In the first step of the cycle, it is vital to begin with the organization's structure by considering the organization's mission, vision and values, policies, plans, goals, priorities, processes and systems, requirements and standards, and traditions and rituals. Step 2 is planning and assessment, which includes articulating clear definitions and understandings of goals and terminology; linking plans with the organizational mission, policies, and plans; aligning resources; creating strong communication; and building dedication to a long-term process. Make sure to pose questions such as: Who, in particular, in the organization is going to be responsible for each task? What are the desired results? What are the most effective and doable strategies? What opportunities and/or challenges might be encountered?

Several tips can help planning and assessment go smoothly: create a diversity task force; research the community; use board retreats to develop awareness, direction, and cohesion; make necessary changes to policies, positions, and physical facilities to ensure they are reflective of an open and welcoming climate; and include every board member in the plan. The diversity task force, in particular, is helpful as it can be responsible for setting expectations, providing authority, assigning staff to jobs, and designing a budget.

Step 3, building awareness and acceptance, mostly involves education, training, and orientation of all members. It also might include linking the diversity plan to other campaigns, developing a list of community leaders, informing funders and sponsors of the goals, and working with other organizations that have diversity initiatives. The fourth step of the cycle, taking action, is clear: Take action. Put the committees and plans to work, and begin exploring networks to find potential candidates with a focus on creating mutually beneficial, two-way relationships. Candidate searches can start by accessing online resources, volunteer centers, personal contacts and networks, professional associations, colleges/universities, corporations and local businesses, and vendors/suppliers.

The fifth step—although not the last step as this model is a cyclical process—is evaluating progress. The evaluation stage is critical because both successes *and* failures need to be considered. This stage is partly preparation for the next cycle of diversity initiatives so paying particular attention to what did and did not work or what was and was not tried can aid in coordinating the next plan. This step should also include celebration. Communicate to the organization and all of its members what goals were attained and highlight those committees and individuals deserving of appreciation and recognition. Moreover, make sure that the organization's targeted communities know of the successes: Accomplishments can help build legitimacy and respect. In this model, as in virtually all models, remember that diversity is a long-term process that requires consistency and persistence.

Retention

The previous sections outlined strategies for successful recruitment of individuals, but attracting diverse leaders is only the first part of the work that needs to be done. Many organizations learn how to be effective in recruitment but are later faced with disappointment as people choose not to stay or relationships between members become strained. However, some tips can help with retention. Virtually all the works cited in this chapter, along with major publications on diversity, will mention some or all of the following suggestions.

Factors to Avoid

1. Avoid treating the diversity plan as a fad. Honest diversity initiatives will be treated with respect and will not need an automatic return on investment. Sometimes, the initial recruitment of people will take a longer time than expected or it may take some time before the benefits of incorporating diversity are observable. Be patient, continue to assess the organization's needs, and modify steps as necessary.

2. Avoid conflating numerical diversity goals with real people. Diversity is not a thing; diversity *is* real people's lives and feelings. Diversity is not merely adding numbers to ensure a certain racial or gender quota. It is honest inclusiveness and relationships with people from a wide spectrum of experiences and with many identities.

3. Avoid asking an individual to speak for an entire group. For example, a gay man cannot speak for the entire community, and a woman in a wheelchair cannot represent the entire physically challenged community. In a similar vein, do not peg a person with just one identity.

One person can have several identities according to, for example, gender, college experience, and foreign language ability. Members should be consulted for their opinions, but they should not be treated as an expert authority on all factors related to one of their identities.

4. Avoid recognition of only Christian and other dominant holidays/celebrations. Recognize and be supportive of all members' traditions and holidays. For example, do not schedule a retreat during the week of Ayyam-i-ha in the Bahá'í faith or have a luncheon during Yom Kippur in the Jewish faith.

Factors to Encourage

1. Make sure that all language, displays, physical facilities, and policies reflect the organization's diversity initiatives.

2. Consider linking diversity initiatives to bonuses or awards. Recognition for achieving goals helps maintain and encourage continued success.

3. Ask people how they feel. Sometimes, the most obvious actions are not done. Ask people how they feel, what concerns they have, or what fears they might have. Taking the time to touch base and provide validation for people's thoughts and experiences can go a long way in making people feel welcome.

4. Celebrate successes. Organization-wide celebrations are a great way to help everyone feel involved and create a positive space for people to interact. In addition, advertising successes through public venues such as websites or newsletters lets others learn about the organization and may lead to later involvement.

5. Treat diversity as a core value of the organization. If respect and trust for a diverse range of people is consistently placed as a priority, it will soon be a part of the culture and assumed expectation of the organization.

Preparing for a Diverse World

For those desiring to work or serve in a nonprofit organization, the expectations for cultural and diversity awareness may seem scary. Fortunately, as nonprofits have increasingly realized the necessity of diversity, so have higher education institutions (Antonio, 2001; Chang, 2002). Thus, due to new commitments by colleges and universities to expand diversity and cultural awareness, there are now several ways that students can begin their diversity education while on campus. Some routes students can consider are: diversity-related classes, diversity workshops, and community service projects.

Diversity-related classes include courses on race and ethnicity, gender, queer theory, multicultural education, and class stratification or, in general, classes focused on traditionally marginalized communities. Such classes can increase cultural knowledge, appreciation for cultural pluralism, and critical thinking skills. It also generally aids in understanding multiple types and levels of diversity (Chang, 2002; Hurtado, 2001). Moreover, in some cases, these classes have also been shown to help with leadership abilities (Hurtado, 2001). Diversity workshops that are targeted at assessing privilege and highlighting social inequality can also help (Hu & Kuh, 2003; Whitt, Edison, Pascarella, Terenzini, & Nora, 2001). Many colleges/universities offer workshops throughout the year, or student organizations may be dedicated to increasing cultural awareness and promoting positive relationships with people from different backgrounds.

A third formal route to help with diversity preparation is engagement with community service projects. On the vast majority of campuses, there are student organizations that direct coordinated visits to communities to help with a variety of tasks—from food banks to construction to child care (Rhoads & Neururer, 1998). In addition, many higher education institutions now offer alternative spring break or a similar program where students travel (both nationally and internationally) to work for communities in need. For example, Habitat for Humanity of New Orleans, Louisiana, reported that about 3,500 students from more than 100 schools volunteered with them during 2009 ("Over 3,500 Students," 2009). Alternative spring break programs have been successful, with people enhancing their sense of self, increasing their understanding of community, developing their commitment to service, and improving their ability to work with people from diverse backgrounds (Rhoads & Neururer, 1998). Community service can be a good way to expand one's cultural education while also providing much needed volunteer hours.

All three of these routes and others that may be available on particular campuses should be used to prepare for the diverse nonprofit sector. The central point to remember is that stepping out of one's comfort zone is an important step. In general, interracial interactions and nonhomogenous racial friendship groups result in cultural awareness, commitments to racial understandings, and better leadership abilities (Antonio, 2001). Whitt and colleagues (2001) find,

> Across the first three years of college, independent of all other influences, interactions with diverse peers, including conversations on topics associated with differences and which challenged previously held ideas and beliefs, were associated with significant gains in openness to diversity and challenge. (p. 195)

Moreover, while such interactions are shown to have a positive effect on all students, they are more helpful for white students (Hu & Kuh, 2003). If unsure of what options exist on their particular campus, students can check with their multicultural office or student organization office.

Further Directions

Diversity is increasingly becoming more important in the nonprofit sector. Traditionally marginalized communities, through struggle and federal governance, are gaining more education, thus making them prime for leadership roles. This chapter provides the fundamentals for any nonprofit that seeks to expand diversity among its members and leaders—the path may be long and arduous, but the benefits are large. Some key lessons to glean from this piece are: expand the terms of diversity—do not restrict diversity to only observable or primary attributes; foster cultural change inside of the organization before beginning recruitment measures; develop special diversity committees for researching, advising, and/or recommending hires; go beyond the usual networks to find new candidates; remember diversity is not a thing—it is working with people's lives; and work on measures to maintain a welcoming environment so that a pluralistic atmosphere thrives.

Future research concerned with diversity initiatives in nonprofits has many options. Recruitment and retention measures specifically designed for nonprofits are currently not very specific. Researchers may look into how strategies differ depending on the size and type of nonprofit. Another avenue for inquiry is evaluating how current changes in the political scene, such as the ending of affirmative action in many locales and the election of the first black (or biracial depending on your categorization) president, is affecting ideologies and actions toward diversity measures in nonprofits. Views on whether social and economic variables of traditionally marginalized communities are getting better and whether race relations are improving could be having an impact on diversity measures. In addition, qualitative analysis and ethnographic interviews of nonprofits with varying diversity initiatives could lend much to understanding which strategies are and are not working. These are just a few options for further research. The salience and importance of diversity call for a great level of attention from multiple lenses.

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33

Leadership of Philanthropy Through African American Sororities and Fraternities

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African American philanthropy is rooted in efforts to overcome centuries of discrimination. The history of black philanthropic giving demonstrates that those who gave throughout American history did so to help others in their own communities. In response to calls for action on the part of well-respected community members, African Americans contributed to causes that made change possible in their immediate surroundings. Black philanthropy has been a response to oppression. In the past, philanthropy responded to slavery and segregation. Today, black philanthropy responds to discrimination in education and the workplace. African American sororities and fraternities are among the most prominent philanthropic organizations in the black community. These organizations have, since their creation, been dedicated to service, specifically self-help and educational achievement.

This chapter examines the philanthropic efforts of black Greek letter organizations (BGLOs) to sustain the livelihood of African Americans. BGLOs, in myriad ways, have worked to serve and shape their community. These organizations can teach us a great deal about the civic leadership and contributions to public life among African Americans. Quite often, the service of these venerable organizations is ignored by scholars. While their insular character is often cited as a reason for overlooking them, the fact that BGLOs have been passed over may stem more from the fact that they are viewed by many—especially those in white communities studying philanthropy—as social, not philanthropic organizations. This chapter also seeks to inform our understanding of the service orientation embedded in the soil that is BGLOs. First, it provides an overview of African American giving throughout history. Then, it examines the philanthropic leadership and contributions of African American sororities and fraternities.

History and Background of African American Giving

The tradition of giving tithes started during the colonial period, when free African Americans, mostly residing in the North, created churches to serve poor African Americans. In the words of C. Eric Lincoln and Lawrence H. Mamiya (1990) in their seminal book, *The Black Church in the African American Experience*,

> The tradition of mutual aid lay deep in the African heritage, which stressed a greater communalism and social solidarity than either European or American customs allowed. These incipient traditions of mutual aid and self help in the slave

> quarters were formalized and legitimated with the Christianizing of the slaves in the eighteenth and nineteenth centuries. (p. 242; see also Joseph, 1995)

The growth of a separate system of black churches gave African Americans the chance to create the "first black-owned and operated institutions" (Smith, Shue, Vest, & Villarreal, 1999, p. 10). Since their inception, black churches have been the most significant institutions involved in African American philanthropy (Byrd, 1990; Frazier, 1963, 1997; Lincoln, 1974; Smith et al., 1999). They have also been the main beneficiary of black philanthropic giving (Abbe, 2002). African American pastors are typically the most influential and well-known members of their communities, and these individuals instill an obligation to give to the church in their congregants (Abbe, 2002, p. 4).

Most African Americans learn at an early age that they have the responsibility to contribute to their churches. Through the use of personal engagement and the creation of a bond of trust, African American pastors communicate the needs of their churches and constantly encourage their parishioners to support the labors of the church (Lincoln & Mamiya, 1990). This sense of obligation to give has provided the foundation for African American social and civic movements in the United States, including the civil rights movement (Garrow, 1987). Black pastors were mindful of the impact of racism on economic mobility in the United States, and thus, they sought to build a firm financial base on which political and social change could happen (Anderson & Moss, 1999). Since their establishment, black churches have served as de facto community centers, providing money, services, and goods that were pooled and redistributed to various black communities (Higginbotham, 1993; Lincoln & Mamiya, 1990). In the words of Smith and colleagues (1999), "the creation and evolution of the black church has been the most significant factor in the political, social, cultural, spiritual, educational and philanthropic development of African Americans in this country" (p. 9). Hence, black churches are an important example of African American agency and action. Even though forced on blacks by white slave masters, Christianity became a means for black emancipation and revolution in the hearts and minds of black leaders (Anderson & Moss, 1999).

Created out of black churches, mutual aid societies were among the earliest organizations formed by African Americans (Lincoln & Mamiya, 1990). These societies started in the North and were usually founded by free blacks. In addition to meeting the religious needs of African Americans, mutual aid societies also addressed the physical and social needs. Established in 1787 in Philadelphia, the first mutual aid society was the Free African Society. It was created by the African Methodist Episcopal and the African Protestant Episcopal churches. Other organizations included the New York Society, the Union Society of Brooklyn, the African Union Society, the Wilberforce Benevolent Society, the Woolman Society, and the Clarkson Society (Smith et al., 1999). Eventually, the mutual aid societies developed into cultural, economic, and political societies that helped to move blacks forward. Under the guidance of these societies, African Americans banded together—relying on one another in difficult circumstances. These societies were the precursor to national organizations such as the Urban League and the National Association for the Advancement of Colored People (NAACP) (Lincoln & Mamiya, 1990; see also Franklin, 1992). Furthermore, influential black businesses such as the National Benefit Life Insurance and the Central Life Insurance companies can trace their origins to these mutual aid societies (Smith et al., 1999, p. 11).

Starting in 1775 with the creation of the Prince Hall Masons, fraternal organizations began to work hand in hand with local black churches. These organizations were primarily communal and social, but they were also dedicated to curing social problems and contributing to the larger community. They frequently garnered monetary donations and gifts in kind from their members for low-income women and children. African American fraternal organizations consisted of two kinds, including those that were black chapters of white organizations and those that were created expressly for African Americans. Blacks established their own versions of the Masons, the Odd Fellows, Knights of Pythias, Eastern Star, Household of Ruth, Foresters, Shriners, and the Elks. Those organizations created *by* African Americans *for* African Americans included the Grand United Order of Galilean Fishermen, the Colored Brotherhood and Sisterhood of Honor, the Friends of Negro Freedom, the International Order of Twelve, the African Blood Brotherhood, the Colored Consolidated Brotherhood, the African Legion, and the Knights of the Invisible Colored Kingdom. Many of the fraternal societies created a secondary group for women, such as the Daughters of the Eastern Star for Masons (Graham, 2000). Fraternal societies were most widespread in northeastern cities with substantial African American populations, including Boston, Philadelphia, and New York. These societies contributed to an African American culture of giving back and uplifting the race.

During the pre–Civil War period, black women devised a variety of means for supporting issues important to the community. For instance, they participated in fairs with white abolitionist women in support of antislavery initiatives. These African American women also hosted their own fairs to sustain the African Methodist Episcopal Church, abolitionist Frederick Douglass, and the Union Anti-Slavery Society. Still other African American women's organizations held fairs to support the African American press as well as orphaned black children (Gordon, 1998). These labors by black women are yet another illustration of the importance of uplifting the race as an inspiration for benevolent giving.

African Americans in business and professional circles have also established many social service organizations for themselves. Because of the insular nature of these elite organizations and the fact that their membership is entirely black, their philanthropic contributions and volunteerism often go unnoticed by nonblacks, and they are consequently overlooked in discussions of African American philanthropic giving. Among the women's organizations in this grouping are the Links, the Girl Friends, National Smart Set, the Drifters, and the Northeasterners. For men, the organizations include the Boulé (Sigma Pi Phi), the Comus Club, the Reveille Club, the Ramblers, the Bachelor-Benedicts, and the Guardsmen.

Because most of the elite societies were created on a premise of volunteerism and charitable giving, the potential for philanthropy in these groups is clear. For instance, in publicity materials released in 2001, the Links proudly assert,

> [Our] tradition is based on volunteerism. For over fifty years, the organization has gathered momentum, continuously rede fined its purposes, sharpened its focus, and expanded its pro gram dimensions in order to make the name "Links" synonymous with not only a chain of friendship, but also a chain of purposeful service.

Within these elite societies, giving is an obligation—a requirement, in fact, of membership. The success of these black elite groups in supporting a large assortment of philanthropic endeavors is made possible by the strong bonds of trust within the organization (Graham, 2000). The historical genesis of African American giving has fashioned the current practices with the BGLOs.

Philanthropy Within the Context of African American Sororities

Much like other Greek letter societies, African American sororities are often considered elitist by outsiders (Frazier, 1957/1997). Membership is viewed as cloaked in mystery and is limited because of the financial obligation involved (Brown, Park, & Phillips, 2005). What is lacking in most critical evaluations of BGLOs is an examination of the members' philanthropic contributions and leadership. Members of the four black sororities are taught to help whenever they can, and this code extends to the organizations' membership and beyond. Each of the sororities has mechanisms—both formal and informal—that serve the needs of members in emergency situations. When BGLO members are out of work, without a home due to fire or other calamity, or in need of monetary help for their families, they can be confident that their organization will assist them. When tested, the bonds of sisterhood produce generosity (Brown et al., 2005).

To understand the power of the BGLO, it is important first to consider the guiding principles of each organization. Alpha Kappa Alpha Sorority, Inc., aims to be "supreme in service to all mankind" (Parker, 1978, 1999). Zeta Phi Beta Sorority, Inc., promotes "scholarship, service, sisterly love and finer womanhood" (Harrison, 1998). Delta Sigma Theta Sorority, Inc.'s brand is to "use their collective strength to promote academic excellence and to provide assistance to persons in need" (Giddings, 1988). And, Sigma Gamma Rho Sorority, Inc., seeks "to enhance the quality of life within the community" while providing "greater service, greater progress" (Lawrence-Brown & White, 1994). Basically, each of these sororities has pledged to build a legacy of social action and fostering community (Giddings, 1988; Harrison, 1998; Lawrence-Brown & White, 1994; Parker, 1978, 1999).

Together, these black sororities boast a membership of roughly 600,000 women who are devoted to shaping their local communities as well as making change nationally and internationally. About one fourth of their members are active. The largest percentages are in the fields of education, law, business, and medicine, and the social service professions also boast large numbers. Although these sororities were established at the collegiate level, estimates suggest more than 70% have postgraduate degrees.

An examination of the individual sorority member's efforts paints a rich picture of devotion to service through the giving of time, energy, and financial resources. For example, Mahlene Duckett Lee, a member of Alpha Kappa Alpha, spends roughly 30 hours per week doing service and providing leadership to her sorority. In her words, "AKA is 24 hours a day" and the gift of service never stops (personal communication, March 16, 2006). Members provide leadership nationally and internationally, and many add to their already hectic professional lives the equivalent of a full-time job through their service to their sorority. Furthermore, this volunteer role calls for travel for national board meetings. Those with the most flexible schedules are the presidents of the organizations, who typically do not have concurrent professional employment due to the hefty time commitment. As a collective, Alpha Kappa Alpha (www.aka1908.com) estimates that more than a million hours of volunteer time were donated by members between July 2002 and July 2004.

The sororities can also easily brag about their influence on philanthropic service within their communities. Sigma Gamma Rho (www.sgrho1922.org) has institutionalized its impact in this area by allowing auxiliary groups, called *Philos* (meaning friends), to form and operate in support of their mission. Members of a Philo club serve the goals and ideals of Sigma Gamma Rho but do not belong to the sorority. Since being officially recognized in 1954, these groups have given countless hours and thousands of dollars to the betterment of others through their affiliation with local chapters of Sigma Gamma Rho.

Although undergraduate members of black sororities lack financial means, they are equally as committed as their older counterparts. They also give of their time, talent, and financial resources. Fundraising drives, programming, and service events characterize the collegiate sorority experience. These young women traditionally support organizations such as the NAACP and the United Negro College Fund, and they serve as campus leaders through student government, Greek councils, and myriad student groups (Giddings, 1988; Parker, 1978, 1999). Among the undergraduate sorority members' recent service accomplishments is a worldwide clothing drive effort, in which members distributed more than 35,000 coats to the homeless (www.aka1908.com).

Within the undergraduate membership, leadership development is crucial. Sororities treat the undergraduate years as an incubator for civic engagement and leadership. Graduate chapters host mentoring programs, leadership gatherings, and service efforts for undergraduates (Brown et al., 2005; Shelton, 2003). For example, Alpha Kappa Alpha's leadership seminar and fellows program seeks to cultivate future leaders among young women by hosting an annual leadership conference focused on political action and economic advancement (Parker, 1978; Shelton, 2003). Likewise, Zeta Phi Beta sponsors the Zeta organizational leadership program, which trains its undergraduate members for future leadership roles within the sorority (Harrison, 1998).

Since their establishment, black sororities have focused on education as a doorway to economic and community advancement (Gasman, 2004; Giddings, 1988; Parker, 1978). They have solidified this endeavor by creating foundations that offer scholarships and fellowships. Since these organizations were created, they have raised millions of dollars in scholarship funds for African Americans as well as other racial and ethnic minorities. Sigma Gamma Rho championed chapter-based scholarships shortly before the Great Depression (Ross, 2001).

Likewise, during their 1937 national convening, the women of Delta Sigma Theta launched a nationwide library project. Their efforts addressed an urgent need in black communities, including many rural areas, for literacy education. Of the 9 million African Americans residing in the rural South, two thirds were without library services and, as such, had very little exposure to books (Giddings, 1988; Johnson, 1943). The national chapter of Delta Sigma Theta asked each of its chapters to contribute 10 books. Each chapter was equipped with a "book basket with a lock and key to facilitate the transportation of the books" (Giddings, 1988, p. 183).

The project was helped along by the donations of Delta member Mollie Lee, a college professor. Lee advised the library project and asked local teachers and principals to support it by helping with the allotment of books. Conceivably, one of the most original aspects of the program was the focus on providing books about African American history and achievement to people in rural areas, a strategy that gave African American children a look both into the past and ahead to the possibilities that lay before them. After the first year of the program, many teachers and parents wrote to the Deltas to offer their thanks for the library project. Even more important, some of the rural towns continued the sorority's efforts by creating permanent library collections (Giddings, 1988). In rural areas that could not support the infrastructure of a library, the Deltas provided help—sometimes contributing furniture, film projectors, and trained staff. The Deltas were also instrumental in lobbying state legislatures in the South for library funds, and when none were allotted, they provided bookmobiles with librarians (Vroman, 1964).

In the 1940s, the Grand Basileus of Zeta Phi Beta, Lullelia Harrison, initiated the prevention and control of juvenile delinquency initiative. The sisters were aware of increasing problems with juvenile wrongdoing and wanted to start a national effort to provide young people with an alternative to a life of crime. In conjunction with U.S. Attorney General Tom Clark, the Zetas created neighborhood-based programs to help youth.[1] Involvement with children, especially young girls, has been a foundation of Zeta service. For example, the Manhattan chapter, chartered in 1950, formed a cohesive partnership with Gompers High School in the Bronx. In collaboration with the school's administration, the Zeta volunteers taught reading, math, and science to African American and Hispanic girls in after-school programs. Eventually, the sorority's volunteerism expanded to include an emphasis on writing, which culminated in scholarship contests. From the beginning of their scholarship program, the Zetas tracked the recipients, asking about their success after college and bringing them into the sorority as undergraduate or graduate members (Ross, 2001). By focusing on academics, the Zetas encouraged women to work toward greater accomplishment in education, especially in nontraditional areas.

Between 1964 and 1989, Alpha Kappa Alpha joined the fight against poverty through the establishment of the Cleveland Job Corps, a vocational training organization for 16- to 24-year-olds (Parker, 1978, 1999). Currently, the sorority's premiere education program is the Ivy Reading AKAdemy, which supports the literacy of elementary school students. This program is funded by a $1.5 million grant from the U.S. Department of Education as well as the monetary contributions of local chapters (www.aka1908.com).

In conjunction with the National Science Foundation, Delta Sigma Theta provides learning opportunities in science and math for parents of primary school students. Sigma Gamma Rho's programming centers on children and families, emphasizing education, teen pregnancy prevention, and economic development. Among the Sigma Gamma Rho programs are Operation Big Book Bag, which provides tutoring, school supplies, and computers to homeless children and young adults across the nation (www.sgrho1922.org).

Like education, health is a significant focus of each of the sorority's national platforms. For instance, as one of its five program foci, Alpha Kappa Alpha addresses health issues in African American communities through education and broad advocacy strategies. Its national initiatives pertain to diabetes, sickle cell anemia, HIV/AIDS, and the collection of family histories to prevent and treat cancer (www.aka1908.com; see also Parker, 1999; Ross, 2001).

Delta Sigma Theta, through its health task force, encourages its membership and women in African American communities to live mentally, physically, and spiritually fit lives. As part of its lifestyle change initiative, Delta Sigma Theta targets obesity and heart disease (www.deltasigmatheta.org; see also Giddings, 1998; Ross, 2001). Since 1972, Zeta Phi Beta has, in collaboration with the March of Dimes (http://marchofdimes.com), sponsored its Stork's Nests program, which educates thousands of pregnant women. Through this program, sorority members fill a need in the black community for earlier and more systemic prenatal care. Sigma Gamma Rho operates a similar program, called Project Reassurance, geared toward educating teens about pre- and postnatal care, infant care, and child development. Moreover, Sigma Gamma Rho supports education, research, and activism through its cancer awareness and national bone marrow donor programs (Lawrence-Brown & White, 1994).

African American sororities have from their creation played a significant role in advancing the cause of civil rights (McKenzie, 1990). From participation in the 1913 women's suffrage march to the long-lasting fight for equal voting rights, their involvement in this area has been strong and steady (Giddings, 1988; Johnson, 1943). On March 3, 1913, Delta Sigma Theta members joined a national march on Washington on behalf of women's right to vote. Women of all racial and ethnic backgrounds endured taunts and insults by angry crowds. By participating in the march, the Deltas were disobeying the administration at Howard University, where they were studying, and, in many cases, were acting against the wishes of their families (Ross, 2001).

At the request of Norma Boyd, a founder of Alpha Kappa Alpha, the nonpartisan lobby for economic and democratic rights was created in 1938 to make our "power felt in the halls and on the floors of Congress" (Parker, 1978). Most of the lobby's activities focused on putting an end to police brutality and lynching, easing discrimination in public life, and fighting inequities in federal housing programs. Today, similar civic and lobbying activities fall under the Alpha Kappa Alpha connection committees that exist in each chapter to end injustice and guard civil liberties. Likewise, Delta Sigma Theta (www.deltasigmatheta.org) holds "Delta Days" at the nation's capitol, a yearly legislative conference to raise member participation in the public policy-making process. Making national headlines, Delta Sigma Theta pledged a major gift to the Legal Defense Fund of the NAACP (www.blackenterprise.com) to underwrite voting rights programs, commemorating the 40th anniversary of the 1965 Voting Rights Act.

As one, the nine National Pan Hellenic Council (www.nphchq.org) organizations joined forces with the National Coalition on Black Civic Participation for the Unity 04 Empowerment Campaign to increase the number of registered voters and voter turnout on Election Day in 2004. Significantly, BGLOs all aim to be heard through statewide days at the capital and in public policy forums. For example, on April 19, 2006, during Red & White Day in Baton Rouge, Louisiana, Louise White, the president of Delta Sigma Theta (www.deltasigmatheta.org), announced a $1 million pledge to support black colleges ravaged by Hurricane Katrina.

Through their service to education, civil rights, and economic empowerment, African American sororities have created a foundation of multifaceted philanthropy (Gasman, 2004; Giddings, 1988; Parker, 1978). The excitement and dedication of their members have helped these organizations to mature and be a powerful force for social change, educational advancement, and community volunteerism. The knowledge of their founders and leaders, along with the commitment of their members, has enabled each organization to achieve much success. African American sororities remain vital to the continuing fight for equality. The sisters who have answered the call to serve are steadfast in their philanthropic pledge.

African American Fraternities and Philanthropy

The legacy of African American fraternities begins in 1905 in Ithaca, New York, on Cornell University's racially intolerant campus. Pressured to "ascend" the "social and proscriptions of color common to American institutions of this era, and hampered by limited means of the average 'poor' student," the founders of the nation's oldest inter-collegiate black fraternity "faced the future and boldly endeavored to find a way out of their difficulties, scarcely realizing, however, the import of their action on subsequent generations" (Wesley, 1996, p. 15).

Initiates of Alpha Phi Alpha, Kappa Alpha Psi, Omega Psi Phi, Phi Beta Sigma, and Iota Phi Theta have, from the start, taken oaths to serve one another and humankind (Brown et al., 2005). The approach of each fraternity is expressed clearly in its mottos. The Kappas strive to produce "achievement in every field of human endeavor." The Omegas believe that "friendship is essential to the soul" and use it to serve others. Creating a "culture for service and service for humanity" is the Sigmas' doctrine. The Iotas believe in "building a tradition, not resting one" as they work to make social change. Being "servants to all" is what Alphas aim to do through their initiatives (Brown et al., 2005; Dreer, 1961; Savage & Reddick, 1957; Slade, 1999).

This overview of philanthropy in African American fraternities examines the historical models that Alpha Phi Alpha, Kappa Alpha Psi, Omega Psi Phi, Phi Beta Sigma, and Iota Phi Theta have used to increase the presence of African Americans in education, engage them civically, stimulate their entrepreneurial spirit, and create a foundation for giving through fraternity-based foundations.

African American fraternities formed national programs in response to crises of their time or the vision fraternity members had for future generations (McKenzie, 1990). During the earliest years of black fraternities, between 1906 and 1914, access to higher education for African American men and women was severely limited. Few blacks were aware of the payoffs of higher education, and discrimination was commonplace (Franklin & Moss, 1994). The black fraternities' methods for solving what many referred to as "the Negro problem" focused on eliminating inequality in public and private education, creating businesses, participating in the political process, establishing foundations, and building partnerships. Early discussions routinely challenged the effectiveness and sustainability of responding to community calls for action. These debates, however, helped to create the foundation on which future generations of fraternity men could stand to advance themselves, their families, and their communities (Brown et al., 2005; Kimbrough, 2003).

Within African American fraternities, philanthropic endeavors traditionally started at the local level and spread throughout each organization with the assistance of national conferences. Iota Phi Theta (www.iotaphitheta.org) exemplifies this idea on its national website:

> In the initial stages of the Fraternity's existence, the Fraternity's service initiatives were local in nature as reflected by the size of the Fraternity and the scope of its resources. As the Fraternity began to take on a National dimension, it became evident that its programmatic thrust would have to be adjusted accordingly. This adjustment was complicated how ever, by the fact that many chapters have had historical ties to service organizations and causes in their local areas.

Great overlap in philanthropic focus exists across fraternities. Each organization awards scholarships to members and nonmembers at the chapter, state, and national levels, amounting to millions of dollars spent on African American education. No single fraternity concentrates on only one national initiative, and efforts often overlap within chapters.

The members of Alpha Phi Alpha agree that a college education is the best predictor of future economic success. As a result, they developed the national Go-to-High School, Go-to-College campaign (www.alphaphialpha.net) in 1920. The campaign uses speakers, advertisements, and personal letters to showcase the benefits of a college education (Wesley, 1996). Today, Alphas deliver their message year round through a curriculum that pertains to time management, study skills, violence prevention, self-esteem, black history, gender in society, and current events (Ross, 2001).

Omega Psi Phi's national talent search awards scholarships to young people each year. The program began in the North and South Carolina chapters. Since 1953, Omegas have organized talent contests in local communities and at their national conclaves (Dreer, 1961). Likewise, Phi Beta Sigma (www.pbs1914.org) has focused on providing services to members through its national education program. Tutoring, scholarships, and lectures are its core objectives (Scott, 1970).

Before the establishment of the federal Office of Minority Business Enterprise in the 1960s, the brothers of Sigma introduced, in 1924, the "Bigger and Better Negro Business" exhibition to showcase the achievements of the race to the public. The first convention was in Philadelphia with more than 25 leading black businesses representing more than 50 exhibits. The response from local visitors was encouraging, and as a result, the fraternity voted, in 1925, to adopt Bigger and Better Negro Business as an annual program. This program is consistent with Phi Beta Sigma's commitment to improving the economic conditions of minorities and the welfare of society at large (www.pbs1914.org; Scott, 1970). As described on its website, the Bigger and Better Business program's present-day mission includes "the promotion and fostering of ideas for the effective organization, improvement and expansion of business and the dissemination and propagation of information for the advancement of sound business principles and practices." Bigger and Better Business has two initiatives under its programmatic umbrella. First, through partnerships with organizations such as the NAACP and the Urban League, Sigma offers financial and home ownership information to its members and their families. It also runs a credit union for its members and women of Zeta Phi Beta. Deposits are insured up to $100,000, and the credit union provides low-cost mortgages for fraternity and sorority members, as well as loans for personal home improvement and education.

Social action is the typical name most African American fraternities use to describe their activities focused on registering voters and increasing knowledge of the political process (McKenzie, 1990). In its national program aimed at voter registration, Alpha Phi Alpha (www.alphphialpha.net) proclaims that "A Voteless People Is a Hopeless People." The campaign started in the 1930s and was championed by chapters across the country. The Alphas have solidified and strengthened their interest and hope in the power of voting and participating fully in the political process over the years (Wesley, 1996). In fact, in 2005, they began an effort to raise awareness of the expiration of the Voting Rights Act. Members of the organization testified before Congress, and they worked in local communities to educate African Americans on the crucial importance of the Voting Rights Act's reauthorization. Likewise, the brothers of Omega Psi Phi (www.oppf.org) are dedicated to a national platform aimed at increasing political involvement and voting. According to their website, "all levels of the fraternity are expected to facilitate, participate and/or coordinate activities that will uplift their communities through the power of the vote."

Yet another way that African American fraternities work to increase knowledge among African American communities is through their health-related activities. For example, Omega Psi Phi chapters aim to uplift their local communities through the promotion of good health programs and practices. Specifically, the chapters participate in the Charles Drew Blood Drive each June, the

American Diabetes Association, and, most important, several AIDS/HIV awareness initiatives (Dreer, 1961; Gill, 1961). This last effort is particularly important as African Americans represent 50% of all new AIDS cases in the United States, according to the Centers for Disease Control (www.cdc.gov). Phi Beta Sigma chapters, like the Omegas, spend ample time raising money and educating local black communities on issues that are crucial to the health of African Americans, such as diabetes (Savage & Reddick, 1957).

Eliminating health disparities in the African American community has been a major thrust for fraternal organizations. In 2002, Iota Phi Theta initiated a sickle cell anemia awareness campaign with St. Jude Children's Research Hospital in Memphis, Tennessee. Alpha Phi Alpha forms a national partnership with the March of Dimes each year. Both fraternities work together to teach teenagers about sexual health and responsibility. Young males and females between the ages of 12 and 15 participate in sessions designed to help them to explore their attitudes and values toward sexuality; increase their knowledge of sexually transmitted diseases; and increase their self-esteem. Also, both fraternities fundraise for birth defects research and education programs, according to the March of Dimes (www.marchofdimes.com).

The prevalence of single-parent households is an important issue in African American communities. National organizations such as the Big Brothers/Big Sisters of America have aimed to decrease the pressures on these homes by providing children with "Bigs" to act as mentors. In 1990, Alpha Phi Alpha signed an agreement with the organization to assist Big Brothers/Big Sisters in its efforts to help create environments in which single parents and their children could increase opportunities with the aid of Alpha brothers (described on its website, www.alphaphialpha.net). The fraternity is also engaged in a partnership with the Boy Scouts of America. The goal is to create options for boys to receive career advice from successful black males. Also interested in increasing knowledge and opportunity, Iota men have helped communities succeed in a digital age through a joint effort with Africana.com and Microsoft Corporation to bridge the digital divide. The digital divide has been described as a social, racial, class, and even political problem in society that further separates the haves from the have-nots with regards to technology and access to information.

African American fraternities have partnered or donated to organizations like the NAACP, the Urban League, and the United Negro College Fund. Omega Psi Phi has an extensive history of giving to these organizations. At Omega Psi Phi's 1955 annual conference, it was determined that "each graduate chapter would purchase a Life Membership from the NAACP" and between 1955 and 1959, chapters contributed nearly $40,000 to the civil rights–focused organization (Gill, 1961). In the 1980s, the fraternity contributed $250,000 to the United Negro College Fund and authorized an "annual gift of 50,000 dollars to that organization in perpetuity," according to the organization's website (www.oppf.org).

Since pledging was officially abolished in 1990 by each African American fraternity, they all officially have put service at the core of their process to initiate new members (Brown et al., 2005).[2] In all cases, aspirants are required to design and implement a community service project or program during their orientation period. Each fraternity prides itself on what it has done to serve others. Service is their raison d´être. Each of their creation stories points to a void that was present in their communities and the steps they had to walk to improve themselves and society. Tradition is a powerful influence in the black fraternity, especially among the more senior members.

BGLOs and Philanthropic Foundations

BGLOs have a long history of expanding their impact through the work achieved in their philanthropic foundations, which has received virtually no research attention. Often depending on sorority and sorority membership as their primary source of funding, the foundations established by BGLOs exist mainly to support the programmatic goals of their respective organizations.

Founded in 1980, the Alpha Kappa Alpha Educational Advancement Foundation (EAF) was established out of a desire to provided service in perpetuity for the organization's oldest service program, education. To achieve its mission to "promote lifelong learning," the EAF provides financial support for scholarships and fellowships and offers community assistance programs designed to address specific civic, educational, or human services-related projects, according to its website (www.akaeaf.org). In 2008, EAF awarded more than $107,000 in scholarships to 108 students. An additional $128,300 was awarded to community assistance programming and its youth Partners Accessing Capital initiative. Encouraging the creation of a legacy support, EAF provides the sorority's members, organizations, and corporations with the ability to endow scholarships with an initial contribution of $1,000. The fund becomes fully endowed or capitalized at $20,000, at which time scholarships can be awarded. According to the EAF's 2007 annual report, at the close of 2007, the foundation reported $4.1 million in assets and 152 endowments, with 70 being fully capitalized.

Delta Sigma Theta's foundation, the Delta Research and Education Foundation (DREF), was founded in 1967 under the leadership of former Delta national president, Dr. Geraldine Pittman, who was a noted scientist. DREF's core goal of supporting African American women and their families is reflected in its mission, which includes the promotion of research that identifies solutions to issues affecting African American women and their families (see www.drefnet.org). This mission is a national and international priority for DREF. In her message from the foundation president, Dr. Alison J. Harmon reported that more than $125,000 will be awarded to support programs in the areas of economics, education, health, international affairs, and political awareness. DREF holds partnerships with organizations including the American Association for the Advancement of Science and the National Science Foundation. One of DREF's primary scholarships is the Stephanie Tubbs Jones Scholarship established by Senator Hillary Rodham Clinton and former President Bill Clinton in memory of deceased Congresswoman Stephanie Tubbs Jones.

Zeta Phi Beta's National Educational Foundation (NEF) was established in 1975 as the official nonprofit arm of the sorority. The NEF awards six scholarships and three fellowships in the areas of social work, health sciences, and education. In addition, NEF sponsors community service, social, and health care programming with a focus on minority communities. Serving as a major source of information regarding human genetic research in minority communities, the NEF holds collaborative partnerships with the Human Genome Project coordinated by the U.S. Department of Energy and the National Institutes of Health, as described on its website (www.zpbnef1975.org).

Unlike the other African American sorority foundations, Sigma Gamma Rho's Sigma Public Education and Research Foundation (SPEAR) includes among its goals the economic self-sufficiency of women and minorities, family preservation, and health initiatives and education initiatives targeting minorities and women. In addition, SPEAR focuses on research in the social sciences addressing poverty, illiteracy, morals/values, and family disintegration. Although the sorority supports an educational fund through which scholarships are awarded, the SPEAR Foundation provides financial support primarily to programs with measurable outcomes. These initiatives, described on the foundation's website (www spearfounda tion.org), include a rites of passage program for adolescent girls; programming promoting financial awareness among young people; advocacy for homeless families; and advocacy for the preservation of families. The youngest of the sorority foundations, SPEAR was founded in 1993, and its funding reflects the tradition of scientific philanthropy.

African American fraternities also have established philanthropic foundations, with goals that range from scholarships to community housing development. Support from the philanthropic foundations seems to be largely driven by needs produced by the current social climate. Alpha Phi Alpha has four foundations: Alpha Phi Alpha Building Foundation; Alpha Phi Alpha Business and Economic Development Foundation; Alpha Phi Alpha Education Foundation; and the MLK National Memorial Project Foundation. In addition to honoring the work of Dr. Martin Luther King Jr. through the Memorial Project Foundation, the foundations of Alpha Phi Alpha (www.alpha-phi-alpha.com) address community needs such as fair and affordable housing, business development for minorities and those in disadvantaged communities, educational training, and professional development.

The Kappa Alpha Psi Foundation (www.kappaalpha psi1911.com) exists primarily as an extension of the fraternity and serves to support the community service programming of the organization's graduate and undergraduate chapters. Emphasizing service benefiting primarily the African American community, this foundation serves to support scholarships, afterschool programs, and the fraternity's national programming partnerships such as Habitat for Humanity.

Established in 1984, the Omega Life Membership Foundation is the philanthropic arm of Omega Psi Phi (www.olmf.org). This foundation concentrates the majority of its efforts on educational, scholastic, charitable, and scientific initiatives. In addition, The Omega Life Membership Foundation, through scholarships, has provided financial support for students in performing arts and other scholastic endeavors.

In addition to being the primary source of support for the Phi Beta Sigma National Foundation (www.pbs1914.org), the members of Phi Beta Sigma played a key role in establishing the Sigma Beta Club Foundation. These affiliate partnerships and the creation of multiple foundations enable Phi Beta Sigma and its affiliate organizations to support Sigma's overarching philanthropic and community service goals.

Iota Phi Theta (www.iotaphitheta.org) describes its National Iota Foundation as, "a clearinghouse for funding and programs for worthwhile endeavors." One of the foundation's signature programs, the annual IOTA Black College Tour is designed to expose graduating high school seniors to historically black colleges and universities with the goal of encouraging them to choose to attend one of these institutions. Since its inception, the National Iota Foundation has awarded more than $25,000 in grants, aid, and services.

Summary

It is evident that BGLOs play a significant role in American philanthropy, specifically in the lives of African Americans. As shown, in formal and informal ways, African American sororities and fraternities have worked to serve and shape their communities. Unfortunately, the work of these historical organizations has been overlooked by historians and scholars, with little access to organizational papers and leaders in the organizations. As noted, this is often due to the secretive nature of BGLOs. However, through the scholarship of insiders and those scholars who are willing to invest the time, a rich, story of love of humankind is told. Telling this story is essential to establishing the relevance of BGLOs, especially in light of recent criticism around hazing issues. The black community and the larger public need to be made aware of the multilayered, sophisticated history of BGLOs to have a better understanding of their contributions to society.

Notes

1. Tom C. Clark Papers, Organizations material 1945 1977, Series IV, Tarlton Law Library, Jamail Center for Legal Research, University of Texas School of Law, Austin, Texas.

2. It should be noted that hazing is still a very prominent process of joining a black fraternity or sorority.

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PART V

Leading the Nonprofit Organization

34

Theories of Nonprofit and Organizational Leadership

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There is no one best way to lead. If there were, surely someone would have stumbled on it by now, and we would all know the best way and do it. But leaders have to lead *people,* and each one is different, and each one changes constantly. There is the rub.

What are the most successful formal organizations in the world *using the single criterion of longevity?* The Roman Catholic and Lutheran churches, the parliaments of Britain and the Isle of Man, and medieval universities are among the oldest, continuously operating formal organizations in the world. Nonprofits and governments have survived the test of time. How do they do it?

Theories are ways of seeing our world and how it works. Having a theory is good. Having a good theory is better. Most people believe leadership makes a difference. We know leadership effects are often attributed to leaders without merit; some authors suggest that leadership is overrated in modern complex organizations—that they are little more than organized anarchies. Most researchers, however, point to the ample examples of famous leaders of nonprofit organizations—Mahatma Gandhi, Martin Luther King Jr., Nelson Mandela, Abraham Lincoln, Mother Teresa, and Vincent de Paul come to mind easily. But these are the famous leaders; other everyday leaders are equally effective but less famous. None of the famous leaders was likely to have used a leadership theory, but leadership principles are evident in each of them. Each had a dream or a mission and an urge to serve. Gandhi wanted to win freedom from British rule for his people by nonviolent means. Martin Luther King Jr. wanted equal rights for all. Mother Teresa and Vincent de Paul wanted to relieve the anguish of poverty for the poorest of the poor in their times. They were dreamers, visionaries, and riveted on their missions.

A Google search of *leadership* nets 153 million hits. An Amazon.com search of books on leadership nets 329,928 hits. (Google has 61,800,000 hits for books on leadership.) There is no lack of opinion or theory on leadership. Why is leadership so popular? Leaders get things done; they are inherently interesting people. What is leadership? Having a definition of leadership is useful for leaders. Most definitions are useful, but any definition that works for the leader is a good one. Here are a few definitions to consider:

> *Leadership is a process whereby an individual influences a group of individuals to achieve a common goal.*
>
> Peter G. Northouse, 2007

> *In essence leadership appears to be the art of getting others to want to do something you are convinced should be done.*
>
> Vance Packard, 1962

> *Leadership is the art of mobilizing others to want to struggle for shared aspirations.*
>
> Jim Kouzes and Barry Posner, 1995

> *The great leader is seen as servant first, and that simple fact is the key to greatness.*
>
> Robert K. Greenleaf, 1977

Kouzes and Posner summarize most modern theorists when they state that leadership is a relationship; it is everyone's business; and leadership development is self-development. Northouse (2007) does a marvelous job of codifying classic theories of leadership; they are worthy of scrutiny. Particularly suited to nonprofit management are several theories or principles of leadership offered here.

In one sense, we can make the case that leading people is much the same whether the organization is for-profit, nonprofit, or governmental. In another sense, these three sectors are nothing alike. The nonprofit sector relies on volunteers for much of its workforce and is dependent on charitable or government sources for its revenue. Another distinguishing feature is that employees, as well as volunteers, usually have strong personal commitments to the mission of the nonprofit, more, perhaps, than in the other two sectors.

In *The Leadership Challenge,* Kouzes and Posner (2007) offer five leadership practices—they're discussed later—based on years of research with thousands of leaders. Their work is most appealing for the nonprofit sector because it is based on values and is readily applicable to nonprofits. For example, the authors (in other volumes) applied their work specifically to two nonprofit arenas, higher education institutions and Christian organizations.

In *Servant Leadership,* Greenleaf (1977) provides a popular approach to leadership adopted and adapted by many organizations—including for-profits—but especially nonprofits and Christianity-based organizations.

Sally Helgesen (1995), in *The Web of Inclusion,* offers a pattern and process of leadership based on the web as model. Her approach is especially poignant inasmuch as she studied women leaders (in *The Female Advantage Women's Ways of Leadership,* 1990). For many years now, fully 70% of those working in nonprofit organizations are women. Many authors suggest women lead differently; Helgesen provides a theory for modern organizations, whether led by women or men.

These three sources—Kouzes and Posner, Greenleaf, and Helgesen—do not focus exclusively on nonprofit organizations or offer a theory of nonprofit leadership. They do, however, have common features and great insight into leadership practices that seem especially appropriate to nonprofits.

First, a word about the glue that holds nonprofits together, mission. Nonprofit organizations are rooted in mission. No modern organization can survive today without a keen sense of mission. This is especially true for nonprofits. Marginalized institutions will be squeezed out of existence or will find their niche depending on whether they find their distinctive mission and stick to it. It has to do with marketing, introspection, and hard work. Too many institutions have drifted into flailing and failing situations where they attempt to be all things to all people but end up offering second-rate programs because they have lost their way. Often, these institutions languish because of organizational drift from the original mission.

Mission is always long range, yet it requires action everyday. Action is where the fun is for administrators. Leaders are people of action; others ponder. A good mission attracts good people. This is foundational for nonprofits; good leaders take advantage of it—exploiting people's self-interest and personal values in the best ways. Whether volunteers or employees, people want to match their personal values with the distinctive values of the institution while working in a learning and teaching organization. A good mission allows people to see how they can make a difference in the world. Mission attracts good people, not only clients, but donors, stakeholders, and neighbors, too. It attracts funding, private and public, and focuses on a defined human need. It makes marketing meaningful and possible, providing meaning and opportunity to make a difference.

Mission serves a market—it is customer or client oriented—rather than product oriented. It looks outside itself for opportunity. This is essential for success but difficult to do well in nonprofit organizations because of creeping bureaucracy. Worse, the typical nonprofit organization has a flat structure, is complex and decentralized, has vague, ambiguous goals and fluid participation, and often looks and acts like an anarchy.

Excellent institutions fashion visions, missions, and marketing plans based on becoming distinctive. Perhaps, a few examples would illustrate. Long ago, when Stanford University was a sleepy little liberal arts college, a visionary president called on his faculty to develop "steeples of excellence" to make Stanford distinctive. In Florida, in the early 1980s, the new president of Barry College reviewed the mission (she called it her "midnight shakes" because the mission is what she would automatically think of if shaken awake at midnight and asked what Barry was all about). Within 5 years, she had doubled enrollment and faculty salaries, changed it from a college to a university, and expanded the campus considerably—based on a revitalized and widely shared mission.

A few examples of mission statements may help.

> *From the Girl Scouts of America:* Girl Scouting builds girls of courage, confidence, and character, who make the world a better place.
>
> *From the Friends of the Parks, Chicago:* Our mission is to preserve, protect, improve and promote the use of Chicago parks, forest preserves and recreational areas for the benefit of all neighborhoods and citizens.
>
> *From the United Way of Chicago:* Mission: To improve lives by mobilizing the caring power of communities.

Clearly worded statements that use evocative language to capture the imagination of readers make good missions. The best mission statements detail exactly what the organizations do, who benefits, and what makes them distinctive. Shorter is better. Compelling language is easier to remember. Can you fit it on the back of a T-shirt?

Even stodgy organizations like the Internal Revenue Service can have clear, forthright missions:

> Mission: the purpose of the IRS is to collect the proper amount of tax revenues at the least cost to the public, and in a manner that warrants the highest degree of public confidence in our integrity, efficiency and fairness.

Institutions with large endowments, if led well, can build in quality as their distinctive edge. Those without quality or distinction will be trampled. Size counts; age counts. Smaller, younger institutions must work harder at defining their missions and earning their distinctiveness. The challenge for leaders here is always mission. Leaders must balance resources based on mission and goals in respect to diversification—balance caution with rashness, opportunity with risk. Leaders keep their eye on the task, not on themselves.

Nonprofits differ from for-profit companies like Procter and Gamble. For instance, colleges like to create habits, vision, commitment, knowledge, and loyalties—attempting to become part of the recipient, not merely a supplier. The marketing problem then becomes one of selling an intangible, a concept. This is seriously different from selling a better shampoo.

The first rule of marketing is: You cannot do everything. Do not put scarce resources where you are not going to have results. The second rule is: Know your customers. A customer is anybody who can say no. Leaders take them seriously. The leader should be the chief marketing officer, exercising the role of gathering and disseminating information. For example, one college president would hang around the student cafeteria and ask students what they thought of the place (with tongue firmly in cheek, he told them he was a janitor). A few years ago at Brown University, the new president asked community members how they could become noteworthy when they had to compete directly with Harvard and Yale universities. Ten years later, Brown became distinctive for two things: focusing on professional women and getting close to the students—a plan put into place by listening to the students and by fashioning a mission in response to what they need. Focusing on mission and market made it so; it is the sine qua non for leaders in nonprofits.

The Five Practices of Leadership

Most leadership authors today agree with Kouzes and Posner when they say that anyone can be a leader and that we can lead from any place in an organization—except from behind a desk or computer. Leadership is interactive; we need to get in front of people and engage them. But anyone can do it—not only presidents and upper management. We find leadership at the lowest levels in organizations, informal but powerfully effective people doing ordinary things extraordinarily well.

Good organizations ask: What are our basic principles? What do we believe in? How can we design management principles and strategies that reflect our values? What can we do for our customers—better than our competitors? Kouzes and Posner (2007) began their research asking what people expected of leaders—more than 75,000 people around the world. They found that (p. 29)

> what is most striking and most evident is that only four [characteristics] over time . . . have always received over 60 percent of the votes. And these same four have consistently been ranked at the top *across different countries.*
>
> What people most look for in a leader (a person they would be willing to follow) has been constant over time. And our research documents this pattern across countries, cultures, ethnicities, organizational functions and hierarchies, gender, educational, and age groups. For people to follow someone willingly, the majority of constituents believe the leaders must be
>
> - Honest
> - Forward looking
> - Inspiring
> - Competent

Other characteristics included intelligent, fair minded, broad minded, supportive, straightforward, dependable, and many more. Students chose the same four characteristics for their best teachers. Credibility is the foundation of leadership. Who would follow anyone who was not honest? Why follow someone who is not forward-looking? Who could follow someone who was not inspiring or competent? These are the foundational characteristics of good leaders.

The first law of leadership, then, is if you don't believe in the messenger, you won't believe the message. All the clichés apply: Leaders practice what they preach, they walk the talk, their actions are consistent with their words, they put their money where their mouth is. But the fact is, *leaders do what they say they will do.*

Five Practices

Kouzes and Posner offer five practices of excellent leaders:

1. *Model the way.* Leadership begins with something that grabs hold of you and will not let go. Excellent leaders lead through their own words, lives, and actions. We cannot lead through someone else's life or words. Kouzes and Posner (2004) ask, what grabs *you*? Excellent leaders find their voice by clarifying their personal values. They set the example by aligning their actions with the shared values of the organizational members. "People sense that the great question in life is not between life and death. We are all going to die. The question is: What are you living for? Or what are you dying for? It is the same question" (p. 85).
2. *Inspiring a shared vision.* Kouzes and Posner found that excellent leaders envision the future by imagining exciting and ennobling possibilities. Then, they enlist others in a common vision by appealing to the shared aspirations of organizational members.
3. *Challenge the process.* Excellent leaders search for opportunities by seeking innovative ways to change, grow, and improve. They are not afraid to experiment and take risks by constantly generating small wins and learning from their mistakes.
4. *Enable others to act.* Kouzes and Posner's leaders foster collaboration by promoting cooperative goals and

building trust. They are able to strengthen others by sharing power and discretion with them.

5. *Encourage the heart.* Excellent leaders recognize contributions by showing appreciation for individual excellence. They celebrate organizational values and victories by creating a spirit of community among organizational members.

These practices are the core beliefs of Kouzes and Posner, based on 25 years of research. Kouzes and Posner found that people who use these behaviors are seen as being more effective in meeting job-related demands; being more successful in representing their units to upper management; creating higher performing teams; fostering loyalty and commitment; increasing motivational levels and willingness to work hard; reducing absenteeism, turnover, and dropout rates; and possessing high degrees of personal credibility.

One more thing: leaders are teachers. Leaders are about the business of teaching and learning. "There's solid evidence that the best leaders are highly attuned to what's going on inside themselves as they are leading and to what's going on with others. They're very self-aware and they're very socially aware" (Kouzes & Posner, 2006, p. 29). We learned long ago that the best teachers are those who are passionate about what they teach. Leaders are passionate about what they lead. The best leaders are teachers, too.

Most of us start out as teachers and then move into administration. As teachers, we learned that the best way to learn our subject matter was to teach it. The best way to learn about leadership is to teach it—in the classroom, on the job, in groups, and one-on-one. Nothing helps the learning process like experience and teaching. We in the business of higher education leadership do not need to look far for the greatest lessons on leadership. We need only teach them.

Kouzes and Posner (2006, p. 20) remind us that the best leaders are great teachers. Leaders teach the mission. Leaders should be the best teachers and should teach the mission relentlessly. We teach by modeling the way, by telling stories, and by focusing on mission.

The Leader as Servant

In a 1974 talk to the School Sisters of St. Francis at Alverno College, Greenleaf (1977) defined institution in these words:

> An institution is a gathering of persons who have accepted a common purpose, and a common discipline to guide the pur suit of that purpose, to the end that each involved person reaches higher fulfillment as a person, through *serving and being served* by the common venture, than would be achieved alone or in a less committed relationship. (p. 237)

Greenleaf believed nothing of substance will happen in society unless people inside institutions are able to (and want to) lead them into better performance for the public good. The idea of the servant as leader came to Greenleaf from his reading of Hermann Hesse's *Journey to the East*. Leo, the main character, is the stable boy who takes care of a group on a journey. Years later, they meet Leo again; he is now the leader of a monastic order. Realizing who Leo is, the narrator understands that Leo was leader even as servant boy—without him they would have lost their way. For Greenleaf, the story clearly says that *the great leader is seen as servant first*, and that simple fact is the key to greatness. For Leo, leadership was a by-product of service. Leadership could be taken or given away, but service and the servant nature was the real person—not bestowed, not assumed.

Servant leadership is a mission of care and service of others. It appeals to organizational members and volunteers in nonprofits. It is a theory popular with faith-based organizations because it helps people develop their own personal spirituality and provides a framework for virtue. Gandhi wrote, "The best way to find yourself is to lose yourself in the service of others" (quoted in Kumarasamy, 2006, p. 101). Mother Teresa and her followers lost themselves among the poor in Calcutta; St. Vincent de Paul and his followers lost themselves among the poor in Paris—all in service of others.

Greenleaf (1977) takes this approach: The natural servant, the person who is *servant first,* is more likely to persevere and refine a particular hypothesis on what serves another's highest-priority needs than is the person who is *leader first* and who later serves out of promptings of conscience or in conformity with normative expectations.

> My hope for the future rests in part on my belief that among the legions of deprived and unsophisticated people are many true servants who will lead, and that most of them can learn to discriminate among those who presume to serve them and identify the true servants whom they will follow. (p. 15)

Greenleaf realized that followers are incomplete creations, and the only way to accomplish anything through them is to serve them. If we are servants—either leader or follower—we are always searching, listening, expecting that a better solution is in the making. Greenleaf had a notion of continuous quality improvement. He suggested we take a fresh, critical look at issues of power and authority—from the point of view of service to others in pursuit of mission.

Greenleaf (1977) offered a new moral principle:

> The only authority deserving one's allegiance is that which is freely and "knowingly granted by the led to the leader in response to, and in proportion to, the clearly evident servant stature of the leader. Those who choose to follow this princi ple will not casually accept the authority of existing institu tions, *rather, they will freely respond only to individuals who are chosen as leaders because they are proven and trusted as servants."* (p. 10)

Power and authority develop organically in servant-leader organizations—freely given by the followers to the one among them who rises up by serving them. Silicon Valley entrepreneurs in the early days of personal computing provided one kind of example of leaders who were at the same time inspiring, compelling, and creative. But they also focused on leading their people by serving—providing Friday afternoon beer and pizza bashes, installing workout rooms for employees, and truly believing in the ingenuity and commitment of their teams. It is said that Apple founder and CEO Steve Jobs would invite the team designing the Macintosh computer to his home in Los Gatos where they would work, eat, sleep, and let off steam, sometimes for days at a time.

Who is the servant-leader? For Greenleaf, it begins with the natural feeling that one wants to serve, to serve *first*. Only then does the conscious choice to serve bring one to aspire to lead. This is much different from the usual—one who is leader first, to satisfy a power drive or to acquire objects. The leader-first and the servant-first are two extreme types. Between them is the continuum of the infinite variety of human nature. The difference manifests itself in the care by the servant-first to make sure to serve other people's highest-priority needs. Care is the hallmark of nonprofits.

Greenleaf provides three foundational questions to check the servant-leader:

> Do those served grow as people?
>
> Do they, *while being served*, become healthier, wiser, freer, more autonomous, more likely themselves to become servants?
>
> What is the effect on the least privileged in society; will they benefit, or, at least, not be further deprived?

Maslow (1971) asserted, in *The Farther Reaches of Human Nature,* that self-actualizing people such as Gandhi, Eleanor Roosevelt, and Albert Einstein were all committed to a greater purpose in life. If people are becoming healthier, wiser, freer, more autonomous—and more likely to become servants—are they not becoming more self-actualized?

Note in Greenleaf's third question his concern over the least privileged in society. Does this not connect directly to most nonprofit missions of concern, care, and service for others? What are we trying to do here? For Greenleaf, this is the hardest question to answer. What is our mission, vision, or goal? Leaders dream the dream and show the way. Organizations may arrive at a goal by group consensus or by inspiration of the leader. But the leader knows it and casts it in a creative way. Every achievement starts with a goal—a yearning for something that is currently out of reach. Leaders state it in compelling ways to challenge people. For Greenleaf, leaders must first earn the trust of their followers. Followers accept the risk along with the leader. Similar to Kouzes and Posner, Greenleaf says leaders earn trust only when we have confidence in their values, competence, and judgment and when they have a sustaining spirit.

Greenleaf notes that the very essence of leadership, going out ahead to show the way, comes from inspiration. Too many who presume to lead do not see clearly. Rather, too many leaders preserve the system in place—which Greenleaf calls a fatal error. The leader, he says, needs more than inspiration. The leader initiates, provides the ideas and the structure, and takes the risk of failure along with the chance of success. It is not enough to have a vision; the leader is constantly dreaming bigger dreams, pursuing a fresher vision, casting and recasting the mission to adjust to the environment as needed. For Greenleaf, nothing much happens without a dream. For something great to happen, there has to be a great dream. Behind every achievement is a dreamer of great dreams. Much more than a dreamer is required to bring it to reality; but the dream must be there first.

Greenleaf reminds us that the art of leadership is to bridge the information gap with intuition. Leaders must be more creative than most. Creativity is largely discovery—a push into the uncharted and the unknown. Occasionally, leaders need to think like poets, prophets, lovers, or dreamers. Intuition is a feel for patterns, the ability to generalize based on what has happened previously. Leaders act on hunches, but calculated ones.

Greenleaf (1977) believed foresight "is a better-than-average guess about *what* is going to happen *when* in the future beginning with a state of mind about *now*" (p. 24). The prudent leader constantly thinks of now as the moving concept in which past, present moment, and future are one organic unity. This requires living by a rhythm that encourages a high level of intuitive insight about the gamut of events from the past to the future.

It begins with listening. Greenleaf believed that only a true natural servant automatically responds to any problem by listening first. This helps others see the leader as servant first. The lesson here is that servant-leaders start by honing listening skills: To be a servant-leader, be a listener-leader. This works because true listening builds strength in others. Do we respect others so much as to give them our complete attention so they feel they are the most important person in the world to us? There may be another lesson: To identify servant-leaders, seek those who listen well.

Lincoln relied on storytelling successfully, too. Lincoln reminded people of their common goal (the preservation of the Union) and kept this mission foremost in everyone's mind by his constant, clear, concise vision, which he preached everywhere to persuade—because he had no power to command. He was able to lead by being led. He was the consummate listener—he persuaded others by listening well and creating a culture of consent. He developed trust of the common people by his great honesty, his power of persuasion, and his indefatigable pursuit of mission.

Greenleaf (1977) reminds us of another axiom about listening: "One must not be afraid of a little silence. Some find silence awkward or oppressive, but a relaxed approach to dialogue will include the welcoming of some silence" (p. 17). Greenleaf tells us that "leaders need two intellectual abilities not usually assessed in an academic way: they need a *sense for the unknowable* and they need to *foresee the unforeseeable*" (p. 21). Leaders get ahead of others because they know things and foresee things others do not. For Greenleaf, the failure of leaders to foresee may be an ethical failure. A serious ethical compromise today, he would say, is sometimes the result of a failure to make the effort at an earlier date to foresee today's events and take the right actions when there was freedom to act. How do leaders learn this business of foresight? They live at two levels of consciousness. One is the real world—concerned, responsible, effective, value oriented. At the same time, they live detached, riding above the real world, seeing today's events, and seeing themselves deeply involved in the events.

Where do we find these people? For Greenleaf (1977) the servant-leader always accepts the person, while sometimes refusing to accept some work or performance, as good enough. Great leaders have empathy and an unqualified acceptance of their people. Acceptance of the person requires a tolerance of imperfection. Gandhi used the simple, uneducated poor of India to bring the British Empire to its knees. Vincent de Paul recruited poor country girls to become Daughters of Charity to serve the sick and homeless of Paris. Anybody could lead perfect people—if there were any. There is none. Parents who try to raise perfect children raise neurotics.

For Greenleaf, the typical person—immature, stumbling, inept, lazy—is capable of great dedication and heroism if wisely led. Many are disqualified to lead because they are unable to work with and through the half-people they have. But they are all we have. The secret is in attracting a team of ordinary people to perform better than they would otherwise be able to do.

Power is the means of getting things done in organizations. Leaders create power by sharing it—not by hoarding it. Servant-leaders share power by working in the service of others helping them to discover and build their own power—together. Followers need to discover and develop power as they become more seasoned as organizational members and especially as they begin to assume more leadership. They learn about power from leaders primarily. It is easy enough to see the effects of power in organizations—things get done, goals accomplished—it is harder to learn to regulate the use of power appropriately.

Servant-leaders are powerful people, but their power is more like a gentle wind than a ball-peen hammer. Warren Bennis, the author and spokesperson on leadership and former president of the University of Cincinnati, was asked at one of his conferences why he did not use any examples of college presidents in his writing and research. He thought about it for a minute and replied, "I don't think of college presidents as leaders in the traditional sense; they are more like prime ministers." Prime ministers lead by persuasion, by working in the service of others who often work in opposition to each other. The prime minister has to keep one eye on the common goal, the other on those whose cooperation is necessary to reach it. That is servant leadership.

Years ago, Lisa Nigro, a former Chicago cop, founded the Inspiration Café—a small eatery for homeless people on the north side of the city. It is a place where the homeless are welcome to dine—to order off a menu, sit at a table, and be waited on as people are in restaurants anywhere. If they do not like the food, they are welcome to send it back. It is a warm café where patrons are treated like valued customers—not a soup kitchen, not a church basement, no serving lines. The homeless receive an excellent meal at no cost served by volunteer chefs, caring and respectful—"a restaurant for the homeless without the bill." The café also offers culinary training and job placement services to its guests.

The Inspiration Café is a place for homeless people where the dignity of the individual person comes first. Those receiving such service are then more able to offer similar service to others, too, perhaps as chefs in training. Volunteers, management, paid staff, cooks, and patrons all benefit from serving and being served. Inspired by the notion of servant leadership, the Inspiration Café offers respect and dignity to the least privileged through inspired service in such a way that they become servant-leaders themselves—a fitting example of servant leadership enacted and mission accomplished. Nigro says she wanted to create an atmosphere where "you would be missed if you didn't come."

There is good news here for leaders of nonprofit organizations: They do not have to find the best people for their causes, they just need to get the best out of the ordinary people they recruit. This is why connecting those individual, personal values of people to the mission and the organizational values of the nonprofit is the first step in effective leadership.

The Web of Inclusion

Sally Helgesen (1995) describes the web of inclusion as "a *pattern*, a model for coherently ordering people and their tasks; and as a *process*, a way of thinking and acting, of behaving and solving problems as they arise" (p. 19). As a web, the pattern is analogous to the spider's web with concentric circle structures linking people and processes to one another and bringing everyone close to the center (the leader). The women leaders she studied "labored continually to bring everyone at every point closer to the center—to tighten ties, provide increased exposure and encourage greater participation" (p. 20). For Helgesen, the women organization heads saw themselves at the center of things rather than the top—where they built consensus rather than issued orders and created collegial atmospheres where colleagues focused on "*what* needs to be done rather than *who* has the authority to do it" (p. 20).

The process feature of the web of inclusion focuses on inclusion via open communication. Continuous sharing of information reduces fear and enables colleagues to be more self-managing than traditional hierarchical structures and authoritarian lines of communication. Helgesen (1990) points out that the process feature of inclusive communication includes a teaching feature flowing outward from the center of the web: "The process of gathering and routing information, of guiding relationships and coaxing forth connections, strikes an educational note" (p. 56).

The web is based on *feminine principles* described by one of Helgesen's informants, Anita Roddick, founder of the Body Shop:

> Principles of caring, making intuitive decisions, not getting hung up on hierarchy or all those dreadfully boring business school management ideas; having a sense of work as being part of your life, not separate from it; putting your labor where your love is; being responsible to the world in how you use your profits; recognizing the bottom line should stay at the bottom. (Quoted in Helgesen, 1990, p. 5)

Helgesen (1990) quotes another of her subjects, Barbara Grogan: "I don't draft five-year plans—I just do the best job I can, and trust that it will lead me to where I'm supposed to be next" (p. 59). It is that sense of destiny—where she will be next—that highlights another feature of the web. The web includes a sense of intuition, opportunism, and patience for what is coming next—an audacious combination of leadership characteristics.

Women described their intellectual and ethical development as developing voice—and they preferred the notion of having a voice to having a vision. Vision implies seeing; voice implies hearing; for Helgesen (1990), the differences are significant. For instance, teachers use their voices to raise up students and to raise concern for causes, to persuade, listen, and learn. For the women Helgesen studied, the focus is always on finding their voice rather than having their vision—implying a dynamism and give-and-take with their colleagues in the web. "*Leading* with a voice is only possible when one has reached a certain level of development as a person; otherwise the voice will not ring true" (p. 230).

The flip side of having a voice is listening with care. Helgesen (1990) notes,

> The women in the diary studies all are skilled listeners; it was a strong aspect of their management style. They used listen ing both as a tool to gather information that had bearing on managerial decisions, and as a way of making the people in their organizations feel that their ideas and beliefs were of value. (p. 242)

One of the subjects, Frances Hesselbein, considered listening the heart of her leadership—the prototypical female skill (p. 243). The web of concern expands quickly to global proportions. Women leaders ask about "what role the company can play, . . . what role can I play, particularly as a woman. . . . Where can I make my best contribution? The question really gets down to *why was I born?*" (quoted in Helgesen, 1990, p. 49). In distinction to traditional, male models of leadership, the women in Helgesen's (1990) study were a gestalt—a whole: "By contrast, the women in the diary studies do not separate their personal selves from their workplace selves; they do not split being a mother off from being a manager, being an executive from being a friend" (p. 67).

The web of inclusion has already had effects on how we think of leadership—more collaborative, more listening, more negotiating, more humane. Gandhi, too, is a model of inclusivity: "Highly self-aware individuals such as Gandhi show an increasing sense of care, concern and compassion beyond the borders of their family and friends" (quoted in Kumarasamy, 2006, p. 109). Mahatma Gandhi said,

> Consciously, or unconsciously, every one of us does render some service or other. If we cultivate the habit of doing this service deliberately, our desire for service will steadily grow stronger, and will make not only for our own happiness, but that of the whole world at large. (p. 97)

Albert Schweitzer said, "I don't know what your destiny will be, but one thing I do know: the only ones among you who will be really happy are those who have sought and found how to serve" (quoted in Kumarasamy, 2006, p. 97).

Summary

The three theories—or authors—considered here have several things in common that serve nonprofit organizational leaders well. In no particular order, here is what we learned.

Leaders know themselves and understand what they have to offer—and they are able to meld their personal values with the mission and values of the organization. They are unwilling to put aside the qualities of being a mom, even as a CEO. They wanted to serve before they led. They are credible.

For each of the authors, leaders are outward focused and intent on others. They serve them, care for them, include them, build trust in them, and respect them. They are concerned for the underprivileged. They try to see the best in others—and to get the best out of them.

They are all listeners. To be visionaries and dreamers they find out they need to listen to others before they can engage them in their work.

They are dreamers and visionaries who connect through webs, service, common values, and shared aspirations. They are teachers.

There is a sense of the metaphysical and beyond-the-here-and-now aspect to each author's perspective on leadership. As they see it, leaders ask, "Why was I born?" and "What am I living for?" and "What grabs me?" They live to serve others and make a difference with their lives. There is a sense of spirituality or a spiritual dimension to them. They connect to causes and values that transcend the mundane.

Most of all, perhaps, the authors discussed in this chapter understood there is no one best way to lead.

Barry Posner has a baseball cap on a shelf in his office with MBFA stitched across it. He says it means *Management by Fooling Around*. Personally, Barry is a funny guy who takes great pleasure in all he does—even a job as stodgy as dean of the Leavey School of Business at Santa Clara University. But the lesson is sound. Great leaders constantly fool around with ideas great and small. They have fun, too.

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DYNAMISM IN ACTION

Leadership of the Nonprofit Enterprise

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Of the challenges confronting leaders of nonprofits at the beginning of the 21st century, the most pressing and urgent is the inadequacy of financing. Nonprofits have been called into question for decades.[1] Funders and stakeholders (which include the organization's board of directors, staff, watchdog groups, and regulatory agencies) continuously seek evidence that nonprofit organizations are effective and serve a legitimate purpose in our society. Skepticism is revealed through the reluctant support of social programs and more specifically these organizations. Public and private funders demand greater accountability for how their resources are being used by nonprofits. Private-sector firms are encouraged and invited to bid on government contracts for human services, which had previously been the exclusive domain of charitable organizations. The situation is particularly devastating for human service nonprofits, which are significantly dependent on government for their funding (Gronbjerg, 1998/2000; Salamon, 2002a).

In the best of times, nonprofit leaders anticipate declines in government funding (Salamon & Geller, 2007). Even as the country struggles to recover from the most significant economic crisis in decades, nonprofit leaders anticipate a negative ripple. And it is imminent: In 2008, individual giving was down 6.3% (this and the subsequent percentages include adjustments for inflation); charitable bequests dropped by 6.4%; corporate giving declined by 8.0%, foundation grants were lower by 0.8%, and total giving from all sources dropped by 5.7%—all during 2008 and as compared to support given in 2007 (*Giving USA*, 2009). The task for leaders is to make the case for these services so as to secure the resources that enable nonprofits to provide critical and essential services.

The Value of Nonprofit Organizations

The nonprofit, charitable, and voluntary sector is important to our society. The labels used to distinguish these organizations from government and private-sector corporations reveal their merits: *nonprofit*, accenting altruism and disregard of self-interest; *charitable*, referring to reliance on donations and generosity; and *voluntary*, indicating the significance of volunteers as a primary resource (Salamon, 2002c).

Their importance is more than ethereal. They are powerful generators of social value for certain, but they also create economic value. In the United States, these organizations are exempt from paying taxes because of their contribution to our economic, social, and political well-being. They extend the capacity of government and the private sector to be more effective. They are significant employers. They intercede when the private and public sectors fail. And yet, like all organizations, nonprofits shape and are shaped by the environment.

The Compromised Nonprofit

It is not surprising that nonprofit staff capacity, program quality, and operations are severely affected by the recalcitrant funding environment. The most vital resource that a nonprofit has is its people. When the organization lacks financial support, it cannot pay prevailing, living wages nor provide any guarantee of employment. Limited compensation and reduced job security breed low morale and high staff turnover, which limit organizational capacity. Time spent with clients is reduced to comply with available resources. In the human services, where the linchpin of service provision is consistency, clients may relapse because they are getting less care than workers know they need. Programs suffer as the inclination of staff to serve more and reach wider is squelched because staff is overextended.

Ironically, demand for nonprofit services and programs is most urgent during economic down cycles. More clients need human service organizations to help them find work, to put food on the table, and to continue to clothe and house their families. Unfortunately, these calls for help and assistance come when there are fewer and fewer funds supporting nonprofits, particularly in the human service field. The physical plant—offices of nonprofits—are less than adequate: There are few meeting spaces, and staff sit atop each other, sharing out-of-date and donated equipment and hoping on hope that their Internet connection is working. Inadequate financial support erodes nonprofit organizational capacity and, over time, their viability.

Nonprofit organizations and their leaders are not unaware nor idle in the face of this challenge. The unsupportive funding environment and threat that it poses to organizational survival is fertile ground for innovation and revolutionary change. Recognizing the importance of financial management to nonprofit existence, revenue diversification has evolved into a nonprofit strategy (Froelich, 1999), and nonprofits now expect that program staff will consider the management of resources as among their responsibilities (Froelich, 1999; Lohmann & Lohmann, 2008). These are strategies that are strikingly similar to those used in the private sector. However, unlike the private-sector organizations, human service nonprofits are not retrenching during economic downturns and instead are seeking new and diverse funding sources and improving their marketing approaches, consistent with their social missions (Golensky & Mulder, 2006).

There is also evidence to suggest that the composition of nonprofit financial sources has evolved, with income from fees from the sale of services and goods accounting for 70% of nonprofit revenue (of which 50% comes from private sources and 20% from government contracts) (Blackwood, Wing, & Pollak, 2008). Leaders of nonprofit organizations adopt these innovative strategies to lessen nonprofit dependence on external sources and retain control and autonomy of action.

Nonprofit Social Enterprise Emerges

Social enterprise is among the responses to the challenging funding environment confronting nonprofit organizations. A social enterprise is a strategy to engage in social purpose activities that generate income (Dees & Economy, 2001). Nonprofits recognize that they have resources or expertise that has value in the marketplace. So, for example:

- As an extension of a job training program, a community development focused nonprofit might open a business in an economically distressed neighborhood. The business fills a gap in services for the community and provides job opportunities for community members, including the hardest to employ.
- An organization might partner with a corporation in the latter's marketing campaign to raise money and raise awareness of a cause.
- There are ample examples of museum gift shops or thrift stores established to raise money for the parent nonprofit organization.

These strategies might be organized as a program of a nonprofit organization, as a subsidiary to the nonprofit (both of which are referred to as hybrids in the literature), or as completely separate legal entities formed with the sole purpose of providing financial support to a nonprofit. The social enterprise strategy enables the nonprofit to pursue its mission and opens up a new stream of revenue for the organization.

A small but growing body of literature focuses on social entrepreneurship, of which social enterprise is a part. Reflecting the nascence of the knowledge and the influence of scholars who represent various disciplines, social entrepreneurship reflects a broad, path-breaking strategy to significantly and innovatively solve social problems. Social enterprise[2] is not solely the province of nonprofit organizations: The strategy can and does form the basis of private-sector ventures by entrepreneurs who combine social responsibility and an economically viable idea. Within the context of nonprofit organizations, social enterprise is an entrepreneurial strategy because it also combines social value creation and revenue generation, which is innovatively achieved through market transactions. Although the continuum of social enterprise includes ventures that raise funds in activities that may or may not be related to mission, the nonprofit is strengthened regardless of motive because of the added resources or because of the additional resources and activity that align with the organization's social purpose (Dees & Economy, 2001). The achievement of social mission through the market is path-breaking for nonprofit organizations and is, therefore, entrepreneurial.

Leaders of nonprofits play a critical yet distinctive role in the deployment of the social enterprise strategy. Leaders are catalysts for new ideas and reforms. They are, by nature and function, influential. Like entrepreneurs, leaders can be "innovative, opportunity-oriented, resourceful change agents" (Dees & Economy, 2001, p. 4). They are distinct from, or arguably more than, entrepreneurs, in that it is their responsibility to influence and advocate for the social mission of the organization as well as its viability. Put another way, entrepreneurs are committed to an idea; leaders are committed to an organization.

The Nonprofit Leader's Challenge

Although it is not a new phenomenon, the social enterprise strategy represents an opportunity and challenge for the leaders of nonprofit organizations and a point of interesting debate among students of nonprofit management. On the one hand, it challenges our notions of what it means to be a nonprofit. It is also at odds with our expectations of these organizations. Is it possible for altruistic and selfless nonprofits to successfully operate in a market that is centered on competition, profitability, and efficiency? On the other hand, if nonprofits could achieve some success in the market, might that be sufficient evidence that they are effective and valuable? What does their success say about the centrality of market in our society and the relative unimportance of benevolence and charity? The social enterprise strategy may be a vehicle to address the financing challenge and respond to the nagging question of effectiveness and legitimacy. The successful implementation and representation of social enterprise strategy rests on nonprofit leaders.

The argument that has been presented thus far is that nonprofit organizations are engaging in social mission-driven market-based strategies in response to a less than supportive funding environment. The characterization of the nonprofit as providing primarily intangible social benefits has led to a misinterpretation of its role and diminution of the importance of the sector, which has contributed to its inconsistent financial support. The social enterprise strategy may provide a means to address inadequate financing and to communicate to its financing partners and stakeholder community its effectiveness and legitimacy. Although derived from private-sector strategies, social enterprise is distinctive in how it is implemented by nonprofits and may preserve the values that are strongly associated with the charitable, voluntary sector.

As social enterprise approaches are adopted by nonprofits, it is incumbent on the leadership to communicate their applicability to the achievement of social goals and rationalize how the strategy and nonprofit organizations in general can be more consistently supported. Leadership is critical to the implementation of strategy and can drive whether it becomes embedded or is further estranged from the needed sources of financing and support.

It is, therefore, the objective of this chapter to highlight the demands of operating a social enterprise on nonprofit leadership. The discussion that immediately follows reviews theories that describe the external and internal environment in which nonprofit leaders must navigate. The centerpiece of this chapter is a discussion about the challenges that leaders of nonprofits confront in their interactions with stakeholder groups as they employ the social enterprise strategy. This chapter concludes with questions for the next generation in the leadership of nonprofit organizations. Further examination and reflection on the management of and leadership in nonprofit organizations are certainly warranted, and students of nonprofit management are best suited to "step back" and contemplate the blending of the theory and practice and how it could shape the future of nonprofit organizations. As students of nonprofit management contemplate the role of leadership in these vital organizations, this chapter as a whole is meant to provide a foundation on which further changes can be catalyzed that ultimately enable organizations of the nonprofit sector not to survive, but thrive.

An Ecological View of Nonprofit Organizations

To fully appreciate the theoretical basis for the interactions between the organization and its environment, it might be useful to first identify the stakeholder community and its relative importance to the organization.

Nonprofit Stakeholders

The integrity of nonprofits is maintained by its various and committed stakeholders in its environment. The stakeholder groups are described in terms of what they do for the organization, their authority over the organization, and the frequency and intensity of the relationship.

- The board of directors provides oversight and represents one of many stakeholders who have authority over the organization. Technically, the board of directors is part of the leadership of the organization, having ultimate responsibility for the nonprofit organizations. The organization follows the strategic direction of the board. The choice to engage in social enterprise may require board approval, especially if a subsidiary is created to house the venture. The charter of the organization specifies the frequency of the interaction between the board and its executive director, but the nature of the relationship is subjective to the personalities of each.

- Funding organizations include government, foundations, corporations, and federated funds through which grants and contracts are available to nonprofit organizations. Organizations cannot exist without financial support so they must have relationships with this stakeholder group. Regardless of whether the funding is directed to the social enterprise, these organizations may react to the organization's decision to engage in enterprise by providing more or less support.

- Regulatory bodies hold significant influence over nonprofit organizations, having responsibility for assuring that the organization is operating in ways that are consistent with guidelines. The most significant regulatory presence is the Internal Revenue Service, which provides oversight to ensure that nonprofits are operating within the stated mandates of its tax-exempt status. There are other program-specific regulatory bodies as well. So long as the organization provides evidence of compliance, then relations with this stakeholder group remain positive. Unlike the board of directors or funding organizations, the nature of the relationship between the organization and the regulatory board is objective: The nonprofit provides requested information in a timely fashion, and the regulating agency responds, generally only when there is a problem.

- Although internal to the organization, staff is a powerful and important stakeholder group. Composed of the people who implement the ideas under the authority of leadership, staff votes "with their feet" on support of organizational strategies: Staff defections are possible if an organization is not adhering to stated goals or expectations.

- Finally, and not least, is the client. Clients have tremendous authority within an organization. If they are not satisfied and the funding for the program comes from public sources—or if the organization accepts any public funding—then the organization could be put at risk for compromising clients. Advocacy groups concerned about the degree to which the organization could be exploiting clients or charging them for services yield tremendous influence, which could serve to increase support or sully the nonprofit organization's reputation.

What separates a nonprofit from the private sector or government is that nonprofits have not one or two primary stakeholders but multiple stakeholders to which they are accountable. Consequently, doing anything within a nonprofit organization requires deftness and skill. Invariably, the leader of the organization is tasked with navigating these relationships.

Relevant Theories

The scholarly literature appreciates that environments shape organizations. Certainly, how an organization manages its internal processes and systems have a bearing on organizational viability. The earliest theories explored organizations as independent, autonomous, and self-contained entities, shaped by the actions taken within the organization by leaders, managers, and staff. Recent theory, however, recognizes the environment as a factor. Viability is achieved through positive and successful relationships between the organization and its environment. Relevant to this discussion, the organization's leaders represent the interests of the nonprofit and facilitate the relationship with stakeholders and funders. Effectiveness and legitimacy are established by the actions of the organizations and the responsiveness of its environment and are communicated through the leadership.

Of the theories that take this ecological view of organizations, resource dependence and institutional theory are relevant for leaders and provide some grist for how social enterprise may be received in the environment.

Resource Dependence Theory

Developed with private-sector firms in mind, resource dependence theory holds that organizational survival depends on the ability of the organization to demonstrate its effectiveness and efficiency. Pfeffer and Salancik (1978) cast effectiveness as an organizational goal that is measured by stakeholders outside of the organization and efficiency as a goal that is measured by examining internal operations. They define effectiveness as the measure of how well the organization meets the demands of its stakeholders (Pfeffer & Salancik, 1978).

Nonprofit organizations have multiple stakeholders who operate in a number of spheres or task environments that potentially influence the organization's ability to attain its goals (Weinbach, 2003). For example, government is an important stakeholder, and a nonprofit organization's ability to achieve outcomes is evidence that public resources are well spent and effective. Efficiency is an internally measured function of resources used to output produced. If an organization optimizes its output, it is easier to make the case for additional resources, especially in times when these resources are scarce. Effectiveness and efficiency are important to be measured and explicated if an organization intends to successfully engage with the environment. This theory has direct applicability to a discussion about the dependence of nonprofits on available resources.

Institutional Theory

Although nonprofit organizations are motivated by social mission, they operate in an increasingly competitive environment. Institutional norms and practices govern how nonprofits are supposed to behave. Generally, but particularly when confronting uncertainty and constraints, organizations tend to respond in the aggregate, maintaining "homogeneity in structure, thought and output" (DiMaggio & Powell, 1983, p. 147). Evidence suggests that the earned income of nonprofits has increased over the past decades (Salamon & Geller, 2007), and although public spending on social activities has increased, so too have reports of social enterprise activities. Organizations are modeling themselves on other more innovative organizations. As it attempts to replicate the social enterprise, each organization may be unconsciously innovating. This mimetic process is a cornerstone of isomorphism, the constraining process "that forces one unit in the population to resemble other units that face the same set of environmental conditions" (DiMaggio & Powell, 1983, p. 149).

Leadership Revisited

At the intersection of the work of the organization and the communication about that work sits the leadership, which includes the executive director and the board of directors. The leadership sets the tone for the organization, how it operates, what strategies it chooses. The executive director is generally the primary vehicle through which the organization interacts with its environment.

The literature on leadership is devolved into a study of the traits and capacities of individuals in a position to influence the direction of the organization. The literature on social entrepreneurship generally and social enterprise specifically also has determined that there are traits that include vision, drive, and perseverance. Such leaders are serial entrepreneurs, in that the tendency is to keep at it, attempting to build the better mousetrap.

Leaders in organizations that adopt nonprofit social enterprise are a different breed. An entrepreneur is an innovative, opportunity-oriented, resourceful, value-creating change agent (Dees & Economy, 2001). They can be found in corporations, government, and nonprofit organizations. In the case of social entrepreneurs, their focus and primary concern is social change, and the aforementioned definition of entrepreneur holds for them as well.

One should not assume that the social entrepreneur is the lone individual who possesses the commitment and intensity about the idea, system reform, or organizational strategy. Scholars suggest that to implement an entrepreneurial venture, there may be a catalyst, but more likely, a group of individuals with a shared vision of the innovation (Light, 2008; Sharir & Lerner, 2006). Furthermore, the social entrepreneurs need not be the executives of the organization. Ideas for entrepreneurial pursuits can emerge from line staff as well as program directors and organizational leadership. Because social entrepreneurship is a vehicle for ideas to be expressed, systems to be reformed, and resources to be reallocated, the leader rests at the center of the enterprise, influencing and directing and recalibrating the enterprise.

Invariably, the leadership confronts the questions and skepticism of the nonprofit's expansive list of stakeholders. As the primary communicator, catalyst, and person of influence, the leader will be required to shepherd an organization through the process of creating and maintaining a social enterprise. Adopting a new entrepreneurial approach to programs and operations means that staff must be convinced to participate or learn to live with the prospect of a business not only in their midst, but as part of what they do in the community. In addition, funders will think differently about nonprofit organizations that engage in social enterprise. This represents a bold new undertaking for nonprofits and is a particular challenge for nonprofit leaders.

With a burgeoning social entrepreneurship movement in the world, to operate a social enterprise poses a series of very significant and distinctive challenges for the leadership of organizations. The leadership demands will be articulated according to the needs of the various stakeholder groups, distinguishing between the challenges for internal and external audiences. Although social entrepreneurship can be rationalized as a response to a fickle funding environment, it requires leaders to face unique challenges with each of their stakeholder groups and the general population at large. Not to diminish the challenges associated with nonprofit organizations that obtain financial resources through more traditional channels, social enterprise opens up a host of challenges that either extend already existing troubles or create new ones.

Leadership Demands

With the understanding now that leaders have a distinct purpose to communicate and ultimately influence their stakeholders, this section details the demands or concerns that will have to be addressed in response to an organization choosing to engage in a social enterprise strategy. These demands correlate with the issues that various stakeholder groups have about the use of the social enterprise strategy by nonprofits in general. They are listed here because this author believes that leaders will invariably have to be ready to respond to these challenges.

Goal Displacement/Mission Drift

A nonprofit organization is generally founded with a specific social mission. The mission is stated in its organizational charter and restated on its website and in its collateral materials. The mission drives the organization, in that its work is in service to its mission. Strategic planning enables an organization to articulate how its goals, objectives, and strategies support goal attainment. Stakeholders decide to join or participate in supporting the organization through the recognition of the character of the organization, which is revealed by how the organization articulates its goals.

Social enterprise is not an organizational form but a strategy. There is no legal designation for social enterprise, although it is part of the lexicon of organizational behaviorists, used to recognize that an organization chooses to raise money through a market-based enterprise. The fact that an organization is operating a social enterprise is also not readily discernible unless the organization has created a separate subsidiary entity. A nonprofit may choose to operate a social enterprise alongside its traditional, grant-funded programming. This is referred to as a hybrid organization. In any event, to operate a social enterprise is a strategy that is generally rationalized by the leadership to fulfill the mission. As has already been noted, social enterprise exists along a continuum and as such may be fulfilling the mission by raising money to support operations and/or program.

Scholars and practitioners are concerned that the allure of money may eclipse mission, resulting in mission drift. A key characteristic distinguishing nonprofit and private-sector firms is their motives: Nonprofits are essentially driven by social purpose and the creation of social value, and private-sector firms are driven by profitability and efficiency. In a situation where an organization is structured as a hybrid, it can be a challenge to maintain the focus on mission when the enterprise is generating a larger portion of the revenue.

Mission drift is a chief concern of leadership and particularly so in the case of nonprofit organizations that operate social enterprises. Leaders are interested in finding strategies that help the organization to be sustainable, and social programs are difficult to finance. For example, nonprofit leaders may be inclined to expand successful market-based enterprises at the expense of charity-supported social programs that serve more vulnerable clients. The organization is defined by its social programs, yet the opportunity to generate revenue may entice leaders to proceed with the market venture. This is a judgment call for the leadership to make and a difficult one, given the funding environment and its challenges.

Identity Issue I: The Schizoid Organization

Another challenge is maintaining organizational coherence. Clients who interact with both sides of the organization should feel supported. An argument could be made for having part of the organization mirror the rhythm of the market as a way to prepare clients for the market. However, when one side of the organization is largely business focused and the other is social-service focused, it is a challenge to have clients experience a whole.

This issue is particularly germane for staff. There is tremendous potential for staff to feel dissonance, as each side of the operation has its own rules, traditions, and cultures. This extends beyond the amorphous: Evidence suggests that business and social service operations within an organization that has adopted the social enterprise strategy have different pacing, market risk, and strategies for organizing service technologies (Cooney, 2006). This creates difficulty for staff cohesion and a shared commitment to organizational goals.

Earnings Crowding Out Established Funding

Starting and operating a small business enterprise is difficult under the best of circumstances. In addition to challenges with having sufficient capital and skills to manage and maintain operations and levels of service, so too is the inevitable challenge of maintaining sufficient cash flow and learning and appreciating the business cycles. So the reason for starting the enterprise—to generate additional, independent revenue—could be compromised if the enterprise becomes a drain on organizational resources.

Success is both a blessing and a curse for a nonprofit social enterprise. If an organization is not performing well, then the leadership needs to consider whether to continue the operation. However, if the organization is successful, then a more urgent problem is that the organization's funders may presume that the organization does not need their support.

"Be careful what you wish for" is an umbrella expression that characterizes the problem emerging when an organization engages in an enterprise with the goal of supplementing its income. On some level, the expectation of the leadership is that the earned income program will supplement already existing funds acquired from contributions or earned income contracts or foundation grants. However, the literature reveals a problem: Nonprofit enterprises struggle to maintain their established support when they engage in enterprise activity (Tuckman & Chang, 2006). Put another way, earnings from enterprising activities crowd out traditional funding sources, as evidenced in a series of case studies of associations (Young, 1998). This raises concerns for leaders, who are tasked with managing the enterprise strategy and must redouble efforts to raise funds as existing financial supporters withdraw their support because they feel that the organization is in a good financial position.

Identity Issue II: For-Profit in Disguise?

U.S. nonprofits are granted tax-exempt status because these organizations are committed to pursuing a social goal that improves the condition of the society. When an organization earns revenue from commercial activities that do not support its mission, it can be subject to taxes, and if the activity recurs, it can lose its tax-exempt status.

There are advantages to operating a business as a nonprofit organization. The tax-exempt status opens the door to resources from grantmaking foundations. Being associated with a social cause gives an organization a distinctive flavor, as compared to other businesses in the marketplace.

Preserving identity is a challenge that affects the nonprofit leadership's ability to make a compelling case for continuing support. Once engaged in the domain of earning income, particularly in the market, organizations move beyond our expectations of what it means to be a nonprofit. Invariably, the organizations that are engaging in enterprise are leaders in the sense that they are among the first of their peers to adopt these approaches. As a consequence, leaders face a pressing demand to defend and characterize their activities, making it clear that they are not, in effect, a for-profit in disguise (Weisbrod, 1998).

The literature suggests that leaders of nonprofit organizations, which are committed to social purposes and their mission-related work, must structure their enterprises to protect and preserve their charitable, tax-exempt identity (Young, 2006).

Leadership Displacement

The decision to engage in social enterprise is very much linked to the predisposition of the leadership. While the leader may not have chosen or identified the opportunity—other staff may make the case for the organization to pursue an enterprise—the leader carries the ball when persuading stakeholder groups to offer their support and earning their belief that the venture offers income generation potential for the organization.

Different kinds of skills and expertise are needed to operate a business. In the case of Work Integration Social Enterprises (WISEs),[3] the organization might need to have talent in the area of employment and training, job development, and workforce retention strategies, not to mention the competencies to market and grow a business. The leadership is expected to possess many of the skills needed not to manage, but to lead the enterprise, which is linked with the identity of the leadership. If the executive director does not have the skills, the organization's board of directors may be inclined to hire a person who does.

Executive directors who promote the notion of a business and lack the needed skills to run it may well work themselves out of a job. As the leader is driving for this change, consultants are useful, but over time, the board may prefer to retain an executive director who has had some experience in managing a business enterprise.

This also raises issues and concerns for succession planning. Creating an enterprise that is too linked to a staff member or executive director could be problematic if that person leaves. It is important, therefore, to make sure that the enterprise aligns with the social mission of the organization and that the alignment is clear to the entire leadership. To engage in an enterprise with limited support means that the executive director could be out of a job, and it may create a public relations nightmare for the organization if it withdraws from an enterprise that is not suitable. This wastes time and effort on the part of staff and the leadership.

Promotion Versus Exploitation of Clients?

At the crux of concerns is the potential that the enterprise could have a negative effect on clients. It is part of the unspoken values within nonprofits and among their staffs that to have any negative impact on the target population is unacceptable. The needs of the organization never outweigh the needs of the client population.

However, a competitive advantage can be earned if the organization shows that vulnerable populations are gaining employment opportunities in its business. For example, the Greyston Bakery[4] website states unequivocally that it makes baked goods to employ people—and not the other way around. It is a short walk from this clarity of social mission to portraying vulnerable populations as poster children, focusing not on their success but on the life challenges they have faced and promoting support for the business as a way to help the individuals. Exploitation is defined as "taking selfish or unfair advantage of a person or situation," and promotion is "the encouragement or growth of something or someone." The line between the two is defined by the degree of respect accorded to the client.

Another issue with clients vis-à-vis the social enterprise is whether they pay for the service. Admittedly, it would seem that in WISEs, clients do not pay for training and earn their jobs. However, they are paying in the sense that they are associated with an enterprise known for employing the downtrodden or vulnerable. If the enterprise is not successful in the market, it becomes a ghetto for clients and does little to improve their circumstances.

Implications and Reflections

In light of the aforementioned challenges and demands for leaders of nonprofits, this might be a proper place for reflection. Nonprofit organizations hold a very distinctive place in the organizational landscape, and social enterprise strategies shatter traditional conceptions of their relation to the marketplace. As leaders forge ahead to implement this strategy, students of these organizations must take the long view, considering how social enterprise could affect not only how the organizations are financed but also how these organizations are characterized and supported by stakeholder groups.

Questions for Reflection

The author urges readers to consider the following questions as an impetus for papers, conjecture, and practice:

- For profit businesses operate from a paradigm of scarcity of resources, which helps to define the economic value of their product. Many nonprofits operate from a paradigm of abundance, which assumes resources will be attracted to good causes and ideas. Can these two paradigms exist in one organization?
- How do you learn to lead the social enterprise when so few currently exist?
- Is stronger relationship building and communication to stakeholders about nonprofits, using the language of business, enough to address the inadequate financing of this sector?
- What does the need to introduce market based services to nonprofits say about their financial situation?
- To what degree does social enterprise give a false sense that the organization is being more effective in achieving its social goals?

- Why might nonprofit led social ventures be more or less successful, and how is success defined?
- In what ways can theories about management and leadership be augmented to include an emphasis on social value creation?

Summary

The bottom line is this: Nonprofit organizations lack sufficient resources to deliver needed services—from the tools and equipment to staffing. If neither government nor corporations can rationalize greater and more consistent financing for nonprofits, these organizations will have to enact new strategies and approaches. Students of nonprofit organizations need to be prepared to think outside of the box, to color outside of the lines by leading to innovate, to thoughtfully break down barriers that restrict how nonprofits work, and to do so while continuing to press for increased public funding of their work.

Notes

1. Reference the repeated efforts by government to determine the efficacy of nonprofit organizations.
2. The terms *social enterprise, social venture,* or *social pur pose business* are used interchangeably throughout this chapter.
3. WISEs are a popular and much researched type of social enterprise in the literature from Europe. These organizations provide sheltered employment opportunities for vulnerable populations. One of the recent and definitive works about WISEs is by Defourney and Nyssens, *Social Enterprise: At the Crossroads of Market, Public Policies and Civil Society* (London & New York: Routledge, 2006).
4. Based in Yonkers, New York, Greyston Foundation is a leader and a model social enterprise. Learn more by visiting www.greystonfoundation.org.

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36

Progressive Leadership

Models and Perspectives for Effective Leadership

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Leadership is a concept used in many different contexts with an array of meanings. Accordingly, there is a lack of common understanding as to what leadership is and what constitutes good leadership. In fact, a Google search of *leadership definition* leads to more than 22 million results. The purpose of this chapter is to offer some clarity to the concept of leadership and provide a thoughtful discussion on leadership perspectives and models that can be identified as progressive and effective for both personal and organizational success.

Leadership is an important concept for professionals working in nonprofit organizations. The discussions in this chapter highlight how leadership is a process that takes place in all aspects of an organization, and professionals can influence leadership in the organization and larger community from any level of an organization. To engage in leadership or enhance and demonstrate leadership skills, one must not be the CEO or a member of the board of directors. Anyone can engage in leadership through being a committed, engaged, and hard-working member of the organization who is in touch with and acts in line with the organizational purpose and values.

In this chapter, different understandings of leadership are presented, including a discussion on leadership and management. Next, the importance of leadership is presented, followed by a brief history on the development of leadership studies. This discussion of leadership progression leads to an overview of *progressive* leadership perspectives, which are those that challenge the traditional leader-centric approaches to leadership. The chapter concludes with a discussion on the future of leadership and a chapter summary.

Understandings of Leadership

In everyday language, the word *leadership* is used in a variety of ways, resulting in a myriad of quite different understandings of the same word. A few examples follow:

- *Position or rank:* “The leadership of the organization is made up of six members.”
- *Status or marketshare:* “The organization has leadership in the industry.”
- *Direction:* “She provided leadership for the initiative.”
- *Skill or capacity:* “He demonstrates strong leadership.”
- *Activity:* “The group engaged in leadership.”

These different understandings can also be distinguished by something someone *is* (position), something someone *has* (skill), and something someone *does* (activity). These are three different concepts that are worth distinguishing.

Another important distinction is the difference between *leader* and *leadership,* two concepts and terms often used interchangeably. Whereas a *leader* is a position or a person, *leadership* can be viewed as an activity. In addition, while a leader can engage in leadership, it is important to recognize that leaders do not *always* engage in leadership, and one need not hold the title of leader to engage in leadership. Reframing this common misconception—that only a leader can do leadership—is important, especially because people who are not in leadership positions can still make a positive difference and contribute to the leadership process.

In this chapter, *leadership* is primarily emphasized as an activity, or something someone does. While there is also a focus on leadership as a capacity, or something someone has, these skills and capacities are not important if one does not put them to use. In other words, what someone does is more important than what someone is capable of doing. To effectively engage in leadership, one must develop a range of leadership skills and capacities.

Leadership and Management

Scholars and practitioners spend a great deal of energy distinguishing between the concepts of *leadership* and *man agement.* Rather than focus so intently on the differences, it is perhaps more helpful to understand why they are both important and how these functions complement one another. Leadership and management both involve working with other people and striving to accomplish goals (Northouse, 2007). The overall focus of time, goals, functions, and the nature of the relationship (between the leadership or manager and follower or subordinate) differ across the two concepts of leadership and management. Table 36.1 provides an overview of these differences.

While the two concepts may seem quite distinct and different, the reality is that they go hand in hand. A long-term focus and sustainable organizational change (leadership) cannot happen without a parallel focus on short-term goals and completion of tasks (management). Without the function of staffing (management), there would be no people to align (leadership); in some situations, there is a need for control (management) and, in others, inspiration or motivation (leadership).

In addition, these functions are not so distinct and clear-cut. Often, even within the same situation, someone may engage in planning (management) while he or she is providing direction (leadership). What is perhaps most distinct between the two concepts is the nature of the relationships. Often, management involves a top-down authority relationship, whereas the relationships within leadership are based more on influence between the members, whereby the leader influences the followers and the overall leadership process, and the followers also influence the leaders and the leadership process. Although these distinctions may appear to be clean and clear on paper, the reality is that in practice, they overlap and even merge. It is important to recognize that the two concepts complement one another and that both are needed for organizational success, for without leadership, an organization will become stagnant and perhaps die, and without management, an organization will not function, and people will not get paid.

Why Leadership?

The above discussion presents some different understandings of leadership. For the purpose of this chapter, leadership is understood as *a process or activity in which people are mobilized to create positive change.* Note that the definition identifies leadership as a process or activity in which many people can partake (not a position or skill), and it involves creating change (not maintaining the status quo).

So why should we focus on and care about leadership? The answer is multifaceted and perhaps most easily understood in examining this question on three levels: individual, group, and societal. On an individual or personal level, developing leadership capacity is important because it helps someone become a more effective person and group member, one who is able to think innovatively and initiate change. On a group or organizational level, leadership is important for sustainability and long-term success; leadership contributes to innovative thinking and new ways of

	Leadership	*Management*
Time focus	Long-term	Short-term
Goals (Northouse, 2007)	Envisioning and creating change Influencing others	Reducing chaos Completing tasks Mastering routines
Functions (Kotter, 2001)	Providing direction Aligning people Envisioning Motivating and inspiring	Planning and budgeting Staffing Organizing Controlling
Nature of relationship (Rost, 1991)	Influence relationship Reciprocal	Authority relationship Top-down

Table 36.1 Leadership and Management

operating and thriving in an ever-changing and complex world. On a larger, societal level, leadership is needed for creating a better, more just world. Leadership goes beyond serving one's needs, and its service-oriented nature lends it to creating positive change, which is needed for the sustainability of humanity and the environment. Leadership relates to these three contexts (individual, group, societal), which are in fact nested and interconnected, whereby what happens on an individual level influences the group and societal levels, what happens on a group level influences the individuals and larger society, and leadership and change on a societal level influences individuals and groups (Heifetz, Grashow, & Linsky, 2009; Komives & Wagner, 2009).

Leader-centric Perspectives on Leadership

Looking back at how the study of leadership emerged can help explain how leadership is understood today. Leadership has traditionally and historically been understood as a leader-centric concept, meaning that it focuses on the role of leaders in terms of who they are and what they do.

There is evidence that the concept of leadership has been recognized and studied since the time of Aristotle (Northouse, 2007); additional evidence points to the concepts of leadership, leader, and follower being present in Egyptian hieroglyphics from more than 5,000 years ago (Bass, 1995). The study of leadership began with a focus on leaders, and the first systematic studies focused on *great leaders*. These studies are dubbed *great man theories* or *trait theories,* and they sought to understand what characteristics, or traits, made these leaders great (Northouse, 2007). These leaders, almost entirely men, were believed to be born with innate qualities that made them great leaders.

Trait theories suggest that leaders have certain traits that other, nonleaders do not have. Some of these traits include: intelligence, determination, integrity, sociability, self-confidence, masculinity, and dominance (Northouse, 2007). These trait theories are problematic, however, for a number of reasons. First, there is ambiguity and inconsistency as to a definitive set of traits; different studies resulted in different traits, and the studies were often quite subjective as to what constitutes good leaders or good leadership (Northouse, 2007). Trait approaches are also problematic because they fail to focus on context or situations; what it takes to be successful or great in one situation (i.e., business) may be different from what it takes to be successful or great in another situation (i.e., classroom) (Northouse, 2007). Similarly, trait approaches fail to consider the presence of other people in a group or organization; working with different people may require different approaches or capacities. Last, focusing on leadership as a trait is very limiting, as it implies that leadership is a predetermined disposition that cannot be learned. The belief that leaders are born and that leadership cannot be developed or learned is commonly recognized as a leadership myth (Komives, Lucas, & McMahon, 2007; Northouse, 2007).

From the study of traits came the subsequent study of leadership skills, or the capabilities of a leader, which can be learned and developed over time (Northouse, 2009). Studies also emerged on the leadership behaviors and styles that are actually practiced and demonstrated by a leader (Komives et al., 2007). These studies sought to identify the best way to lead and took into consideration the presence of the people who were being led. Still, these leadership perspectives focused almost entirely on the leader and his or her actions, without consideration at all for the situation or context and with relatively little consideration of the other people in the group organization (beyond recognition that a leader engages in a behavior that may impact another person). Situational and contingency approaches to leadership were introduced as a new perspective on leadership, which takes into consideration the situation and the people in the organization when determining how a leader should lead (Komives et al., 2007).

The leader-centric nature of these different leadership perspectives is clear; these perspectives contend that leadership is either (a) who a leader is (traits), (b) what a leader is capable of doing (skills), or (c) what a leader does (behavior, style, situational). While these different aspects may be helpful in understanding what are believed to be important qualities, capacities, and behaviors of a leader, the perspectives on leadership are very limited in that they do not take into consideration the complexity of situations in which they operate nor the vast potential of the other people in the group. The next section focuses on progressive leadership models, which are those models that challenge these leader-centric perspectives on leadership and emphasize a more relational and systemic view of leadership.

Progressive Leadership Perspectives

Progressive leadership is the term used in this chapter to describe leadership perspectives that challenge the traditional, leader-centric conceptions of leadership. Progressive leadership is characterized by the following tenets:

- Leadership is an action or process, not a person or a position.
- Leadership is relational, with a focus on building relationships and collaboration.
- The intention of leadership is creating a positive change in something beyond oneself.
- Leadership has a moral and ethical dimension.
- Leadership involves the interconnected levels of individual, group, and system.

Progressive leadership speaks to the leadership challenges facing our organizations and society today, and it is through embracing these perspectives on leadership that real, significant, and sustainable change can take place and organizations can thrive (Heifetz et al., 2009). In addition, these progressive leadership approaches increase individuals' leadership capacity and ability to mobilize change (Bass & Riggio, 2006; Heifetz et al., 2009).

The models and perspectives presented in this section reflect many of the characteristics of progressive leadership identified above. Two foundational perspectives of leadership are presented, followed by a number of more recent models of progressive leadership. While they do not each touch on all of the characteristics presented above, each provides a valuable and unique framework that can inform leadership practice.

Foundations of Progressive Leadership

James MacGregor Burns, a pioneer in leadership studies, introduced the concept of transforming leadership. Transforming leadership stresses the mutual, reciprocal relationship between a leader and followers, whereby the motivation and the morality of both the leader and the followers are raised to higher levels (Burns, 1978). This relationship results in higher potential in both parties as well as greater capacity for *real* change. Transforming leadership is contrasted with transactional leadership, which is a relationship based on a transaction or exchange between a leader and follower, such as giving a raise for meeting certain performance standards. This conceptualization of leadership served as a guide and foundation for many other leadership models. Burns challenged leadership scholars and practitioners to look beyond the role of the leader alone and instead focus on the reciprocal relationship between leader and follower. He also introduced the concept of morals and ethics into the leadership conversation.

Rost (1991), following Burns's lead, introduced the concept of *postindustrial leadership* and called for a paradigm shift in how we should view leadership. He called the leader-centric perspectives on leadership *industrial* perspectives and advocated for new ways of thinking that fit our ever-changing and complex world with shifting values. Postindustrial leadership stresses the mutual relationship of influence between leader and followers, the importance of followers being active players in the leadership process, striving for a substantive and transforming change that is mutually agreed on and reflects a shared purpose (Rost, 1991). Together, Burns's (1978) transforming leadership and Rost's postindustrial leadership provide a strong foundation for a new way of viewing leadership that challenges a leader-centric focus and has the potential for significant, transforming impact.

Servant Leadership

The perspective of servant leadership stresses that a servant leader is servant first; one begins with a desire to serve others or a greater purpose, which then leads to a desire to lead (Greenleaf, 2008). This results in a servant leader who is committed to serving something beyond him- or herself. Ideally, those people being served benefit, grow, and become more motivated and likely, in turn, to serve others.

While leaders are not necessarily always servants first, the servant leadership perspective has many implications. It stresses the importance of leaders' focusing efforts on something greater than themselves, whether it is the well-being of others, a cause, or a purpose of an organization. Servant leaders, therefore, put the needs of others in front of their own needs and in turn create a positive difference and enrich others in the process (Greenleaf, 2008). Servant leadership also implies that leaders should be in tune with their followers through listening to them, exercising empathy, nurturing their growth, and working to build community. The leader-follower relationship is important and should be based on ethics, care, and concern.

Servant leadership is a helpful perspective for organizations that are mission centered and that seek to create a positive difference and serve others. Servant leadership emphasizes the social responsibility that leaders have to do what they are capable of doing to serve those people who need help and are not as fortunate (Northouse, 2007). In an organizational context, servant leaders are concerned with all members of the organization, regardless of role or status; no one should be recognized as more or less important than others.

Followership

Followership is a different way of looking at leadership that recognizes the crucial role that followers play in the leadership process (Kelley, 1995). While our society's focus is often solely on the leader of an organization, the reality is that the followers or members of an organization play a significant role in whether or not an organization fails or succeeds. An organization needs effective leaders and followers, and they are ultimately both part of the leadership process. It is helpful to understand that the role of leader and follower shift and change in different contexts; even within the same organization, someone may be a leader in one committee and a member without a leadership title in another. It is important, however, that the person is effective and committed in both roles. Kelley (1995) shares qualities of effective followers:

- Followers manage themselves well.
- Followers are committed to their organization and its purpose.
- Followers work hard and perform at high levels.
- Followers demonstrate courage, honesty, and credibility.

These qualities sound a lot like what might be expected of effective leaders, and that is exactly the point; leaders and followers should demonstrate the same commitments, abilities, and skills. Through the perspective of followership, being a follower is not thoughtlessly and blindly complying with the leader; it involves being an active, engaged, and committed member who can think critically. Followership stresses the importance of leaders and followers in the organization's success. In addition, followership is an empowering perspective that encourages people from any level in a group to be an engaged participant in the leadership process.

Relational Leadership Model

Relational leadership is a perspective that stresses leadership as a process that involves many people working together to create a positive difference or change (Komives et al., 2007). Relationships are at the forefront of this type of leadership, and the model identifies five key components of the relational leadership model: purpose, inclusive, empowering, ethical, and process (Figure 36.1). Each component is briefly described below (Komives et al., 2007):

- *Purpose* is at the core of the model; it involves identifying a common group goal or vision and being committed to work toward this common purpose. In addition, purpose involves creating a positive difference.
- *Inclusive* involves being aware of and valuing difference and diversity on many levels, such as opinions, background characteristics, and styles. Inclusive also means including a variety of people in the leadership process and working to develop the skills and capacity of group members.
- *Empowering* reflects shared power in a group, whereby group members step up and become involved in the group process and are supported to do so through the creation of an environment that promotes involvement and ownership.
- *Ethical* is the component of the model that identifies the importance of acting in line with the values of the individual and group to create something positive that serves something beyond self.
- *Process* encompasses each of the other components of the model, focusing on how a group works together. This involves how a group functions and makes decisions when working toward its purpose. The group should be aware of its process and act intentionally.

This model stresses the importance of the process and the group, challenging the more traditional leadership perspectives of focusing solely on the outcome and the individual leader. In fact, this model does not even distinguish between the roles of leader or follower; everyone is part of the group leadership process and plays important roles, which may shift depending on the activity or point in the process. The model provides guidelines for an effective group leadership process.

Social Change Model of Leadership

The social change model of leadership shares some of the same assumptions about leadership as the relational leadership model. The social change model also stresses the importance of the leadership process and the role of the group (Komives & Wagner, 2009). In addition, values and positive change are cornerstones of this model (see Table 36.2). Its ultimate outcome and goal are change, more specifically, positive social change. There are eight key values that can be described in behavioral terms.

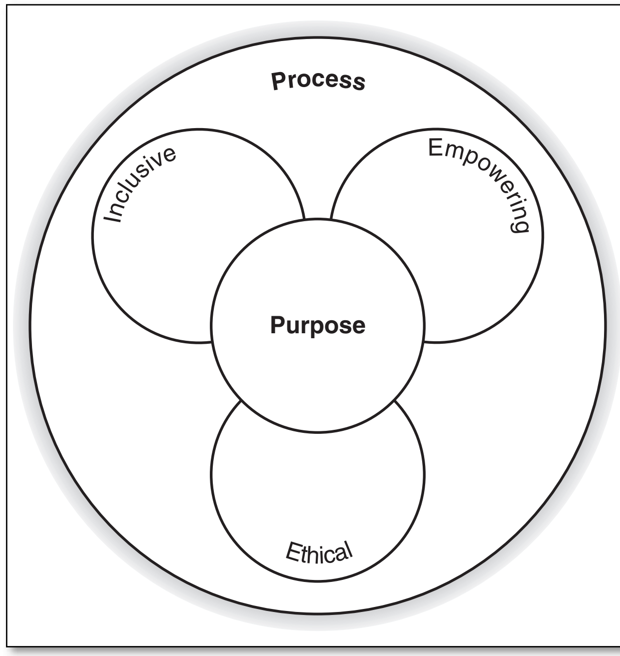

Figure 36.1 Relational Leadership Model

SOURCE: S. R. Komives, N. Lucas, & T. R. McMahon, *Exploring Leadership: For College Students Who Want to Make a Difference,* 2nd ed. (San Francisco: Jossey Bass, 2007), p. 75. Reprinted with permission of John Wiley & Sons, Inc.

The individual dimension refers to the individual's role and commitments in the leadership process; it stresses the inner work in which one must engage (Cilente, 2009). The three values associated with this dimension of the model are: consciousness of self, congruence, and commitment. The group dimension reflects how a group of people works together and interacts in a way that supports the goals and purpose of the group (Cilente, 2009). The values associated with this dimension of the model include: collaboration, common purpose, and controversy with civility. Last, the society/community dimension of the model recognizes the various communities to which people belong and in which they should be actively engaged to work toward creating a positive difference. This dimension includes the value of citizenship (Cilente, 2009). Each of the dimensions of the model interacts and influences the other. Individuals' abilities to be aware of who they are, commit to their responsibilities, and act in line with their values in turn influence the group's ability to function and influence the larger community. In addition, the group influences an individual's self-development and so forth.

The social change model is a very useful model for recognizing the importance of the individual, group, and larger community in creating positive change. It also provides a number of values that can guide a successful process of leadership, resulting in more effective and self-aware individuals, higher functioning groups, and thriving communities. Like the relational leadership model, it is also an empowering model that recognizes

Value	*Definition*
Change	As the hub and ultimate goal of the Social Change Model, Change gives meaning and purpose to the other [values]. Change means improving the status quo, creating a better world, and demonstrating a comfort with transition and ambiguity in the process of change.
Citizenship	Citizenship occurs when one becomes responsibly connected to the community/society in which one resides by actively working toward change to benefit others through care, service, social responsibility, and community involvement.
Common Purpose	Common purpose necessitates and contributes to a high level of group trust involving all participants in shared responsibility toward collective aims, values, and vision.
Collaboration	Collaboration multiplies a group's effort through collective contributions, capitalizing on the diversity and strengths of the relationships and interconnections of individuals involved in the change process. Collaboration assumes that a group is working toward a Common Purpose, with mutually beneficial goals, and serves to generate creative salutations as a result of group diversity, requiring participants to engage across differences and share authority, responsibility, and accountability for its success.
Controversy With Civility	With a diverse group, it is inevitable that differing viewpoints will exist. In order for a group to work toward positive social change, open, critical, and civil discourses can lead to new, creative solutions and is an integral component of the leadership process. Multiple perspectives need to be understood, integrated, and bring value to a group.
Consciousness of Self	Consciousness of self requires an awareness of personal beliefs, values, attitudes, and emotions. Self-awareness, conscious mindfulness, introspection, and continual personal reflection are foundational elements in the leadership process.
Congruence	Congruence requires that one has identified personal values, beliefs, attitudes, and emotions and acts consistently with those values, beliefs, attitudes, and emotions. A congruent individual is genuine and honest and "walks the talk."
Commitment	Commitment requires an intrinsic passion, energy, and purposeful investment toward action. Follow-through and willing involvement through commitment lead to positive social change.

Table 36.2 Social Change Model of Leadership Values

SOURCE: K. Cilente, "An Overview of the Social Change Model of Leadership," in S. R. Komives & W. Wagner (Eds.), *Leadership for a Better World: Understanding the Social Change Model of Leadership Development* (San Francisco: Jossey Bass, 2009), pp. 43 77. Reprinted with permission of John Wiley & Sons, Inc.

the importance of every member of a leadership process, regardless of position.

Emotional Intelligence and Leadership

Over the past 20 years, emotional intelligence has been identified as a form of human intelligence, different from IQ, which measures one's intelligence based on ability to reason. Emotional intelligence (often called EI or EQ) focuses on one's ability to be aware of and manage one's own emotions, be aware of others' emotions, and manage relationships with others. Research suggests that EI is a greater indicator of success and outstanding leadership than IQ (Goleman, Boyatzis, & McKee, 2002). Resonant leadership includes two key categories: personal competence and social competence. Personal competence includes the domains of self-awareness (understanding oneself, values, and emotions) and self-management (managing emotions and feelings). Social competence includes the domains of social awareness (empathy and awareness of social factors and needs) and relationship management (ability to manage, collaborate with, and lead others) (Goleman et al., 2002). Within the four domains are 19 individual competencies. For example, the domain of self-awareness includes the competencies of emotional self-awareness, accurate self-assessment, and self-confidence. The competencies are considered learned abilities as opposed to innate traits or talents, and one does not need to develop each of these competencies to be effective; the competencies can instead be viewed as helpful tools in the leadership process.

Another model that combines the concepts of EI and leadership is *emotionally intelligent leadership* (Shankman & Allen, 2008). This model describes three facets of consciousness that are important for a leader to recognize: context, self, and others. Consciousness of context is being aware of the larger environment in which the leaders and followers operate; consciousness of self is awareness of one's own emotions and abilities; and consciousness of others is awareness of others, their roles, and relationships. There are 21 capacities of emotionally intelligent leadership across these three facets of consciousness, which are highlighted in Table 36.3.

The concept of emotional intelligence stresses the importance of awareness of oneself and others in the leadership relationship. This human aspect of the leadership process is important, as organizations are made up of people, and to create change, one must be able to work with and mobilize others. The emotional intelligence component of leadership is vital to one's own self-awareness and leadership effectiveness, developing and maintaining meaningful relationships with others, and organizational success.

Adaptive Leadership

The concept of adaptive leadership is understood, like many progressive leadership models, as an action or process. Heifetz and colleagues (2009) describe adaptive leadership as "the practice of mobilizing people to tackle tough challenges and thrive" (p. 14). They use the word *thrive* to portray the process by which an organism successfully adapts to changing conditions. This evolutionary metaphor of a living system needing to adapt to survive is applied to organizations. Organizations exist within the larger system or environment of our global society. Like living organisms, they must learn to adapt to changes in the larger environment. There are many examples of organizations that have failed to adapt and survive due to changes, such as economic downturns, in the larger society.

Organizations face a number of challenges; Heifetz and colleagues (2009) distinguish between *technical* and *adaptive* challenges. Technical challenges are those that are easily seen and understood; there is a clear understanding of the problem and what needs to be done to remedy it. Adaptive

Consciousness of Context
Environmental awareness: Thinking intentionally about the environment of a leadership situation *Group savvy:* Interpreting the situation and/or network of an organization
Consciousness of Self
Emotional self perception: Identifying your emotions and reactions and their impact on you *Honest self understanding:* Being aware of your own strengths and limitations *Healthy self esteem:* Having a balanced sense of self *Emotional self control:* Consciously moderating your emotions and reactions *Authenticity:* Being transparent and trustworthy *Flexibility:* Being open and adaptive to changing situations *Achievement:* Being driven to improve according to personal standards *Optimism:* Being positive *Initiative:* Wanting and seeking opportunities
Consciousness of Others
Empathy: Understanding others from their perspective *Citizenship:* Recognizing and fulfilling your responsibility for others or the group *Inspiration:* Motivating and moving others toward a shared vision *Influence:* Demonstrating skills of persuasion *Coaching:* Helping others enhance their skills and abilities *Change agent:* Seeking out and working with others toward new directions *Conflict management:* Identifying and resolving problems with others *Developing relationships:* Creating connections between, among, and with people *Teamwork:* Working effectively with others in a group *Capitalizing on difference:* Building on assets that come from differences with others

Table 36.3 21 Capacities of Emotionally Intelligent Leadership

SOURCE: M. L. Shankman and S. J. Allen, *Emotionally Intelligent Leadership: A Guide for College Students* (San Francisco: Jossey Bass, 2008). Reprinted with permission of John Wiley & Sons, Inc.

challenges, on the other hand, are not as easily seen or understood, have not been faced before, and do not have clear answers; they must be addressed by viewing things in new ways, adopting new beliefs, and trying new behaviors (Heifetz et al., 2009). People are often resistant to change and look for quick fixes to problems, which often results in responding to adaptive challenges with technical solutions.

For example, the adaptive challenge of having a younger generation of employees entering the workforce who are more community oriented and technologically savvy could be approached in a number of different ways. A technical response would be to continue to run the organization as it has always been run, trying to assimilate the different generation of employees into the existing organizational culture. An adaptive response may involve examining how the current organizational structure may support or hold back the creativity and potential of the new employees; organizational structures may need to be adapted, the ways in which decisions are made may need to be altered, and organizational norms may need to be shifted. While the adaptive response requires a shift in values and culture, along with a greater amount of energy, it is likely to result in a shifting organization that will better support the new employees, and their expertise and talents will be used in a way that helps the organization thrive. The technical response could stifle creativity and potential, leading to loss of employees and a gradual deterioration of the organization due to lack of ability to adapt with societal changes. This is a larger-scale example, however, adaptive challenges and responses can also be viewed in more everyday examples. Potential adaptive challenges such as starting a new job, getting feedback on an evaluation, or shifting organizational goals and resources require adaptive leadership; resorting to technical responses can result in short-term outcomes that ultimately fail to address the issue, perhaps even making it worse.

Adaptive leadership provides an important perspective in recognizing how much of ourselves we must bring to the leadership process; to engage in adaptive leadership, we must be in touch with ways of being and acting, and assessing how these beliefs and patterns serve or detract from what we are trying to accomplish. Adaptive leadership also involves the engaged participation of many people and the ability to mobilize others in this leadership process. Heifetz and colleagues (2009) provide a number of tasks that facilitate adaptive leadership. Refer to their work for additional information on this topic.

Integrating Different Leadership Perspectives

This section included a number of different leadership perspectives that address leadership from different angles and with different lenses, assumptions, and priorities. Rather than prescribe one leadership perspective or figure out which ones are best or worst, it may be more helpful to identify strengths from each perspective and seek to integrate them into an understanding and approach to leadership that pulls from the different models and perspectives and that makes sense for you, your group, and your organization.

Leadership is more than just what one does or how one acts; effective leadership can be viewed through the framework of knowing, being, and doing (Cilente, 2009; Komives et al., 2007). *Knowing* involves the knowledge one has, *being* encompasses the values, beliefs, attitudes, and awareness one possesses, and *doing* reflects one's actions, behaviors, and skills. Effective leadership involves each of these three components, and the components are interconnected. For example, what you know can influence how you think; how you act or behave can lead to new awareness or new knowledge. Developing as a leader also means developing as a person through becoming more knowledgeable about oneself, others, and leadership concepts; through identifying and solidifying one's values, beliefs, and commitments; and through developing different skills and capacities (Komives et al., 2007).

Future Directions

As our society continues to become more complex, with increased competition and limited resources, it is imperative that we adapt the ways in which we operate as individuals, as organizations, and as society as a whole. Outdated and ineffective practices are bound to lead to loss in market share, decreased impact, and deteriorating organizational health. In addition, if society fails to operate in new ways, the future of the human race and our planet may be endangered. Our society is facing large, pivotal adaptive challenges that will require multiple perspectives, solutions, and approaches. Accordingly, individuals and organizations must adapt and engage in innovative and collaborative approaches to face these challenges.

Although leader-centric and trait approaches to leadership still dominate popular literature on leadership, progressive leadership perspectives provide the thoughts and approaches needed to engage in and mobilize successful change. Our thinking on leadership must move beyond the focus of leadership as a position, skill, or trait. Leadership is a multifaceted process characterized by commitment; collaboration; awareness of self, others, and the greater system; a focus on ethics; and efforts to create a positive difference beyond oneself. The more we can embrace and practice leadership through this perspective, the better equipped we will be to handle the adaptive challenges that we face now and will face in the future.

Summary

This chapter provides a discussion on approaches and models of leadership that reflect progressive thinking that will equip leaders for creating and mobilizing significant positive change. The term *leadership* is used in many different contexts in the English language; this chapter approaches leadership as *a process or activity in which people are mobi lized to create positive change.* Rather than understanding leadership as a position or an inherent trait, leadership is understood as an activity or process that involves the development of certain skills or capacities. While leadership differs in many ways from management, it is imperative that both functions exist and complement one another. Leadership is ultimately what will lead to innovation and positive change, and management assists in this process.

To address the complex and adaptive challenges our society is facing today and will face in the future, we must find new ways to view leadership and engage in leadership in our organizations. A number of progressive leadership models and perspectives were presented, reflecting leadership as a process, highlighting the leader-follower relationship, recognizing the role of the larger system, stressing the importance of collaboration, emphasizing the role of ethics, and serving the ultimate goal of creating positive change.

These models present innovative thinking and ways of viewing the complex concept of leadership; they also provide a source of empowerment for younger members of nonprofit organizations, who may not necessarily hold the formal *leader* title. Every member of our society and our organizations has the ability to contribute to the leadership process through a variety of roles. We all have a place in the leadership process, and ultimately, we all have a responsibility to contribute to something positive beyond ourselves. Incorporating these concepts and understandings into nonprofit organizations' philosophies of leadership will empower broader-based action and mobilize positive organizational and societal change.

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37

Basic Skills of Nonprofit Leadership

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Being a leader in a nonprofit organization is difficult at best and nearly impossible at worst. The skill set required is daunting to acquire, challenging to use, and constantly changing (Hopkins & Hyde, 2002). The pay is not the highest, but most people in such positions find the work immensely rewarding. Those drawn to the nonprofit sector to exercise leadership capabilities generally desire to accomplish positive change through their work. This chapter covers several major topics: What is leadership? What are nonprofit leadership skills to be used for? What are the basic skills of nonprofit leadership? The major conclusion from this exploration is that the nonprofit leader must have many skills, which are needed and best employed in different organizational situations. Part of the genius of successful nonprofit leaders lies in knowing which skills are called for in which situations. This chapter will provide guidance for nonprofit leaders to become more skillful in their jobs.

What Is Leadership?

The term *leadership* is bandied about so frequently that it is easy to think that, like the U.S. Supreme Court justice said about pornography, "I can't define it, but I know it when I see it." Shelves at libraries and stores are filled with books on the subject, some written by business leaders, some by officers in the military, and others by elected officials. Leadership is usually seen as a generic skill: that is, leadership is leadership, whether in the commercial sector, military, or government arenas. Most of this material is not academically rigorous—in fact, it is little more than entertaining storytelling, with a few kernels of wisdom amid the large amount of chaff that readers have to sift through. Still, leadership is important and learning more about it is good for organizations and society. Poertner (2006) shows that client outcomes vary in connection with the leadership ability of agency managers. Warren Bennis (2009), a respected business leadership guru, indicates that leaders shape the effectiveness of organizations, provide inspiration and restore hope, and are able to recognize problems, yet rise above the current context of society to see a better tomorrow. Because of the importance of leadership, a brief discussion of this term is important before addressing what basic skills are needed to be a nonprofit leader.

Renowned organizational theorist Richard Cyert (1990) offers a classic definition: "Leadership is the ability to get participants in an organization to focus their attention on the problems that the leader considers significant" (p. 29). In a similar vein, Shenkman (2007) argues that "the leader's real work is to create followers" (p. 13).

In nonprofits, however, the aim of leadership is not merely to create followers, but rather to create followers to accomplish something useful, such as quality services. The centrality of values in the nonprofit sector is widely recognized and supported (Rothschild & Milofsky, 2006). Thus, being a leader in the nonprofit sector requires a personal commitment to the sector's core values and those of the particular nonprofit organization of one's choosing. It almost always requires placing considerable value on member/follower involvement in the decision-making process, so as to create buy-in about the decisions being made. Although it was made in a different context, President Dwight D. Eisenhower's observation is apt: "Leadership is the art of getting someone else to do something you want done because he wants to do it" (quoted in Hughes, Ginnett,

& Curphy, 2006, p. 405). Leadership, in its essence, is not about commanding but about influencing others.

What Are Nonprofit Leadership Skills Used to Do?

Before describing the basic skills that nonprofit managers need to use, we should examine the underlying and more philosophical question: What are nonprofit leaders going to use their skills to accomplish?

The commonsense view of nonprofit organizations is that they can best be understood as single goal-maximizing organizations. In the case of human service organizations, their goal would be to eliminate the problems of their clients. For sports nonprofits, the goal would be to maximize the number of youth playing the sport. For arts organizations, the goal might be to expose as many people as possible to theater/opera/music productions or the visual arts. A major problem with this approach is that organizations, as organizations, cannot have goals—only people can have goals (Mohr, 1982). Treating the organization as a person in this way leads to a failure to understand the nuances of what a leader must do to get individuals to align their goals with the organization's mission. Other problems with this organizational goal perspective are that goals often are not very specific and that unofficial or unstated goals are often as important to organizational staff as are the professed goals of the organization (Herman & Renz, 1997). For example, an agency leader may try to achieve certain outcomes in an organization, not for the good of the agency, but because it will put him in a good position to get a better job in another organization.

A second theoretical approach to understanding what a nonprofit leader is using skills to accomplish is the system resources approach, which posits that the key metric for understanding organizational success is the level of resources extracted from the environment to support the organization. In other words, the larger the budget (or the larger the percentage increase in the budget), the more successful the organization (and thus its leader) is said to be (Herman & Renz, 2004). This approach to what nonprofits leaders are trying to achieve would have to be an implicit, rather than an explicit goal of the leader. Other goals, such as the implementing the articulated mission or achieving client outcomes, are what provide a nonprofit with its legitimacy and thus its ability to obtain resources from the environment. Donors or other stakeholders would not look kindly on a nonprofit leader espousing the goal of accumulating lots of cash reserves, and funding would most likely decrease, rather than increase, if this were the announced goal of the organization.

A third view of what leaders in the nonprofit sector are seeking, the multiple constituency view, says that the different stakeholders of a nonprofit (leader, staff, clients/patrons, funders, general public and so on) may all have different ideas about what the organization is about. Because each group is important in the nonprofit's work, each of these stakeholders' views is correct, even if the views seem contradictory to another stakeholder's view (Herman & Renz, 2004). The task for the organization's leader is to balance the demands on the agency to accomplish these different goals. Thus, funders may value organizational effectiveness in solving client problems, clients may want to know that their assigned staff member cares about them as individuals, staff members may want a secure job, and the general public may want an agency that is free from scandal. The nonprofit leader is thus required to pay attention to different stakeholders sequentially, attending first to one aspect of the organization, then another. This requires a tremendous repertoire of skills and a highly developed dose of political savvy. It also requires understanding the leadership theory in use.

Leadership Theories

Opinions about the skills that are needed in nonprofits vary considerably, depending on the theory of leadership to which one ascribes. Perhaps the oldest theory of leadership is that there are "born leaders" who have the traits needed to be effective (Carlyle, 1841). Traits that are associated with leaders are: drive, leadership motivation, honesty, integrity, self-confidence, cognitive ability, and knowledge (Kirkpatrick & Locke, 1991). The practical implication of this is to identify the traits of leadership, screen the population for people who have these traits, and then provide training and opportunities for these traits to be used.

Lewin, Lippitt, and White (1970) proposed three styles of leadership: authoritarian, democratic, and laissez-faire, based on observations of boys interacting in experimentally constructed clubs. Authoritarian leaders told others what to do without consultation. Democratic leaders solicited others' opinions and sought to influence their ideas so that a general consensus might emerge. Laissez-faire leaders did not put much effort into being leaders and allowed others to do as they wished. The boys in Lewin and colleagues (1970) studies generally preferred the democratic leaders, followed by laissez-faire leaders, with least approval for authoritarian leaders.

Despite the popularity of the democratic style of leadership, later research indicates that each style of leadership can be effective, given the right circumstances. For example, when time is limited and the leader has all the facts needed to make a decision, the authoritarian approach can (and perhaps should) be used. In other circumstances, such as when staff members have some or all of the information and the leader does not, a democratic leadership style will bring about better results. This later research led to the realization that there is not just one correct model of leadership; rather, the leadership style must match the situation. Several different versions of contingency theory emerged from this insight. Perhaps the most influential was developed by Fielder.

Fielder (1967) argued that leadership could be understood as behavior relating to a continuum of carrying out tasks by developing positive relationships with people (relationship oriented), on the one hand and carrying out the task by focusing on task accomplishment, on the other. According to Fielder, when relations are good between leader and followers, the task is well structured, and the leader has high position power, then task orientation is effective. When the opposite is true (that is, relations are not very good, the task is poorly structured, and the leader does not have very high power from his or her position), task orientation can also be effective. For situations that are intermediate in relationship, structure, or position power, relationship-oriented leadership is more effective. A recent restatement of contingency leadership declares that the best outcomes occur when the fit between leader and circumstances is "aligned" (Dym & Hutson, 2005).

Two additional recent leadership approaches include transformational leadership (Burns, 1978) and servant leadership (Greenleaf, 1991).

Transformational leadership offers followers a chance to accomplish great things by making large changes in their organization and, even, themselves. Transformational leaders create a vision, sell that vision to followers, and then move forward to enact the vision, along with their followers, always leading the charge. Transformational leaders are usually charismatic, inspirational, intellectually stimulating, and people oriented, providing individualized attention to others. Servant leadership is described by Greenleaf (1991) as a feeling and a choice that the leader makes to lead, but to lead in a way that is in service to others. The goal for the servant-leader is to serve first and to acquire power or influence later, but only to continue to serve others.

As can be seen clearly, the different leadership theories and styles use different skill sets. An authoritarian leader requires far fewer people skills than does someone following a servant-leader model. In addition, leaders must be flexible in how they approach their job based on the needs of the organization. As Rothschild and Milofsky (2006) remind us, the needs of the organization (which can vary according to where it is in its life cycle, the state of its distinctive technologies, and the demands of its external constituencies) determine how the leader must act to be effective, and the personal desires of the leader are secondary. For example, a person not normally seen as charismatic may need to use such abilities to develop a following for a large-scale and difficult project. At other times, a visionary leader may need to focus on detailed "running of the ship" to achieve the vision that has come together.

Different methods can be chosen to move a nonprofit organization along a chosen path, partially depending on the organization's situation, both internal and external. Different leadership styles are more or less effective depending on the tasks at hand. In the final analysis, different situations and leadership styles demand different leadership skills. Schmid (2006) has assembled an excellent empirically based approach to linking organizational situation to leadership duties required.

According to Schmid (2006), leaders can locate themselves and their organization's needs on a two-axis plane (see Figure 37.1 on page 327). One axis is labeled as people-versus task-oriented, whereas the other axis is labeled internal versus external orientation. This creates four quadrants, which we will examine in turn.

Quadrant I represents "task-oriented with an internal focus." The leader with such an approach will be focused on achieving organizational goals using standard work processes. Centralization will be the byword, with few opportunities for others to be involved in the decision-making process. The leader will keep subordinates on a short leash, with strict attention to organizational goals and objectives being met. Following organizational rules and processes is considered very important.

While this type of leader does not sound very much in tune with nonprofit values of democracy and openness, Schmid argues that such a set of behaviors in a leader has its place. Residential boarding institutions, for example, require strict following of rules to protect residential rights, maintain legitimacy, and assure an adequate level of resources flowing into the organization. Reports of abuses by staff of dependent clients (such as in prisons, state schools, or nursing homes) are far too common and reflect a breakdown in the control of the organization, leading to lawsuits, governmental inquiries, and possible elimination of the organization.

Quadrant II also has an internal orientation, but the leader in this case is people oriented, not task oriented. Leadership behaviors in this quadrant are designed to motivate, involve, and empower staff to do the work of the organization. The leader acts as coach and mentor, seeking to develop staff members to achieve more and to be committed to improving themselves as they accomplish the goals of the organization.

Schmid (2006) argues that the most appropriate situation for Quadrant II leadership is the early years of a nonprofit organization's existence. Rules are not yet written, patterns are not yet fully established, and the founder(s) of the organization have the most direct influence on the organization and its members/clients/staff. An internal focus for leadership is necessary to stabilize the organization and to create routine job processes and procedures.

Quadrant III sets aside the internal focus of Quadrants I and II to look external to the organization, while remaining task oriented as in Quadrant I. Quadrant III can be seen as the leader conquering the world outside of the organization—the push is to acquire legitimacy and resources from external sources so as to institutionalize the nonprofit. Leaders in this situation tend to be very directive and authoritative and to rely on their formal authority much more than their ability to influence indirectly or through the use of inducements. Because the task or organizational institutionalization is seen as so important, staff members and volunteers are frequently seen narrowly as resources to be used to achieve the goal, rather than as important actors in the process.

Quadrant IV represents the convergence of an external orientation with a people focus. Leaders in this area of the model seek to control the future of their organization by reducing its dependence on others for resources while making others more dependent on them. Considerable attention is paid to developing staff members to improve their ability to handle the external environment's constraints. Because the leader is using so much time and energy to build coalitions and alliances external to the organization, staff members must be trained and developed to handle as many issues themselves as possible—the organization's top staff members are working with outside constituencies.

Given the multiple theories and approaches to leadership discussed so far, and the different situations within which leadership must be exercised, it is possible to be overwhelmed by the complexity of being a nonprofit leader. Are there some skills that all nonprofit leaders should have, which can be considered the "basic" skills of nonprofit leadership? The next section answers this question.

What Are the Basic Skills of Nonprofit Leadership?

Nonprofit organizations come in a variety of sizes, fields, and purposes. Obviously, some are small local organizations, aiming to affect one neighborhood or community by providing services to a marginalized group. Contrast this with international organizations whose purpose is worldwide in scope, such as trying to reverse the process of global warming. While the exact skills of being a leader may be somewhat different in different types of nonprofits, the literature has some clear guidelines regarding what skills are necessary. Chief among these are being able to work with a board of directors.

All nonprofits have a board of directors, which is legally responsible for the organization. Thus, one of the distinctive abilities of leaders in the nonprofit sector is to be able to work with their boards. Even though the boards are the legally mandated decision makers, they may hire an executive director and perhaps other staff (or the executive director may hire additional staff with the approval of the board. Thus, while the executive director has "merely" a supporting role in theory, she or he has the central role in the day-to-day running of the organization in practice.

Skills necessary for an effective executive director to use in working with a board of directors include (Herman & Heimovics, 2005, p. 158)

- facilitating interaction in board relationships;
- showing consideration and respect toward board members;
- envisioning change and innovation for the organization with the board;
- providing useful and helpful information to the board;
- initiating and maintaining structure for the board; and
- promoting board accomplishments and productivity.

Additional requirements for successful leadership at the executive director level in the nonprofit world include (Herman & Heimovics, 2005)

- spending time on external relations;
- developing an informal information network, particularly regarding future events;
- knowing your agenda;
- improvising and accepting multiple, partial solutions; and
- using a political frame to understand issues.

In summary, Herman and Heimovics (2005) declare: "Board-centered, external and political skills are what distinguish particularly effective nonprofit chief executives" (p. 169). But, lest one believe that nonprofits should operate under a "great leader" model, where all the responsibility for success or failure rests on the shoulders of one person, Grant and Crutchfield (2008) describe the importance of leadership being shared. These authors studied 12 nonprofit organizations extensively for a number of years, developing lessons about what made these organizations so high impact. One of the most important of these lessons is: "Leaders of these organizations are able to *share power and inspire others to lead.* Leadership doesn't stop at the top; rather, it extends throughout the organization and a larger network or movement" (p. 46) [emphasis in original]. The metaphor used by Grant and Crutchfield (2008) is important: They describe the nonprofit director, not as the person on top of the hierarchy, but rather the person at the hub of many people, all working to accomplish the mission of the organization.

Leadership Skills at Different Levels of an Organization

Most people do not move directly from graduating from college or graduate school to becoming the executive director of a nonprofit organization. They move up the ranks, just as in the corporate and government worlds. Still, leadership skills are necessary at all levels of nonprofits. Thus, even as a person begins to learn the desired skills of a nonprofit leader at the executive director level, it is vital to remember that leadership skills should be improved throughout one's tenure at whatever organization one is currently working in and throughout one's life. The next section examines more specifically the desired skills that have been described in the literature.

Much of the rest of this chapter will refer to management skills at nonprofit human service organizations rather than at the full array of nonprofits. This is not to downgrade the importance of arts, sports, education, or other types of nonprofits. This focus reflects the literature that has been published to provide guidance to nonprofit human service managers, especially those who are not yet at the top level of nonprofit leadership, and so have less interaction with the board of directors.

Studies of What Social Work Managers Do and Should Know

The mid-1990s saw considerable research to answer basic questions in the field of nonprofit administration. Two vital questions addressed are: What *do* nonprofit human service managers *do?* and What *should* human service managers *know how to do?* This section looks at three major recent comprehensive lists of job skills that have been put forward by academics and practitioners in social work. Hoefer (1993, 2003), Menefee and Thompson (1994), and the National Network of Social Work Managers (NNSWM), as articulated by Wimpfheimer (2004), have compiled extensive lists of what human service administrators should know how to do.

Hoefer (1993, with a follow-up article in 2003) addresses the questions of what should be taught and where it should be taught. Hoefer (1993) uses a sample of human service administrators from Chicago and later (Hoefer, 2003) adds social work educators, government program managers, and public administration educators to the pool of raters. His results show that 37 skills, attitudes, and knowledge areas found in the literature could be rated individually in terms of importance. They could also be condensed into four categories (people skills, attitudes and experiences, substantive knowledge, and management skills) to determine what social work administrators should know how to do. The level of agreement among the different groups asked to rate the skills was high, with Spearman's rho correlations between the four groups of raters significant at the .001 level for entry, middle, and top levels of management: Hoefer (2003) develops three primary conclusions based on the ratings of the 37 identified skills and the four grouped skill sets:

- "Strong agreement exists regarding which skills are most important at the three different levels of administration across disciplines and types of administrators" (p. 41).
- The desired knowledge, skills sets, and attitudes of human services administrators do not change very much as they move from lower levels of administration to higher levels. But it is important to become more accomplished in each of the areas as one reaches a higher level of administration.
- "For all respondents, at all levels, 'people skills' are the most important and 'management' skills are the least important" (p. 38).

This empirical work, while useful, is hampered in its utility by having no theoretical or conceptual basis. Nevertheless, because the list of skills was drawn from the literature, it has high face validity, and the four sets of respondents ranking them provide additional support for their importance as vital elements of social work management practice.

Menefee and Thompson (1994) conducted their research to provide a "comprehensive perspective on what social work managers report they do today" (p. 6). (Menefee [1998] conducted a follow-up study that confirmed these results.) In the initial study, Menefee and Thompson surveyed members of the NNSWM plus 80 social work managers throughout Tennessee regarding how often they performed 35 administrative competencies and how important they ranked 163 skills organized and listed by competency.

After analyzing their results, Menefee and Thompson (1994) argue that what managers do can be categorized into 12 management dimensions, each of which is composed of a number of key skills. Going beyond a simple listing of what skills and dimensions are most often done, they also asked about the importance of each skill. Combining how frequently tasks were done with the perceived importance of the tasks, Menefee and Thompson (1994) develop an overall ranking regarding each management dimension. From most to least important, they are: communicating (1st), supervising (2nd), boundary spanning (tied for 3rd), futuring (tied for 3rd), facilitating (tied for 5th), teaming (tied for 5th), aligning (7th), evaluating (8th), policy practice (9th), managing resources (10th), leveraging resources (11th), and advocating (12th). (Austin & Kruzich [2004] place these 12 dimensions into three larger sets of managerial roles: leadership roles, interactional roles and analytic roles.) Menefee's (1998) follow-up results add additional support to the importance of these identified skills.

A third conceptualization of what social work managers should know was developed by the NNSWM (2004) and discussed in Wimpfheimer (2004). Developed through a lengthy process of consultations with practitioners and academics, 14 competency areas are considered vital for social work managers. To receive the *certified social work manager* credential from the NNSWM, applicants must demonstrate their abilities in these areas. The NNSWM (2004) standards are not a minimum but are the competencies for experienced and academically trained managers. A total of 51 skills flesh out the 14 competency areas. The list of competency areas consists of the following:

- Advocacy
- Communication and interpersonal relationships
- Ethics
- Evaluation
- Financial development
- Financial management
- Governance
- Human resource management and development
- Information technology
- Leadership
- Planning

- Program development and organizational management
- Public/community relations and marketing
- Public policy

While these standards have no explicit theoretical foundation, they have solid face validity given the process used to develop and refine the list (NNSWM, 2004).

Despite the seeming differences among the authors on what should be known by human services administrators, the amount of agreement far exceeds the amount of disagreement. The independent processes used to arrive at these lists provide further confidence regarding what to teach to social work administration students. Thus, as Hoefer (2003) states: "There is strong agreement . . . on which skills are considered important" (p. 36), across all levels of management and all four categories of respondents.

To summarize this section, the answer to the question "Do we know what should be considered as basic nonprofit leadership skills?" is a strong "Yes." While the research available to us is not in complete agreement, a great deal of core material is agreed on within and between the practice community and academics. When added to the recommendations of Herman and Heimovics (2005), there is an even stronger sense that the basic skills have been identified.

In looking at Figure 37.1, we combine Schmid's approach with its two axes (internal/external and task/people) with the consolidated lists of management skills found in Hoefer (2003), Menefee (1998), and NNSWM (2004). (The placement of these skills in each quadrant is, of course, somewhat arbitrary, as some of the listings could be in more than one quadrant. Still, this approximation seems supported by the descriptions each of the sources provides.)

The skills that seem to fit best in Schmid's (2006) Quadrant I (Task and Internal orientations) are: aligning, supervising, managing resources, and evaluating from Menefee (1998); program development and planning, financial management, information technology, and evaluation from NNSWM (2004); and from Hoefer (2003), most of the management skills (decision making, personnel management, program planning, coordination, budgeting, evaluation, MIS, statistics, computer spreadsheet, accounting, computer database, word processing) and two of the substantive knowledge skills (organization theory and service technology).

Next, in Quadrant II (People and Internal orientations), Menefee's (1998) facilitating and aspects of communicating, and policy practice seem to fit. The NNSWM's (2004) human resources management and development is appropriate, as are parts of what they describe as communication. Hoefer (2003) adds a list of attitudes and experiences (professionalism, identifying with agency, commitment to clients, tolerance for ambiguity, entrepreneurial attitude, previous work in an agency; and previous work in that agency).

Quadrant III (Task and External orientations) contains leveraging resources and aspects of boundary spanning from Menefee (1998); financial development from NNSWM (2004); and some of the substantive knowledge and management skills from Hoefer (2003) (administrative law, agency policy area; fundraising; knowledge of community; marketing, social policy, and strategic planning).

Finally, Quadrant IV (People and External orientations) includes advocating; futuring; and elements of boundary spanning, communicating, policy practice, and teaming from Menefee (1998); advocacy, governance leadership, public policy; public relations, and aspects of communication from the NNSWM (2004). From Hoefer (2003), we see parts of his people skills category (leadership, oral communication, written communication, conflict resolution, group dynamics, meeting management, and negotiation) as well as policy process skills and political connections. Herman and Heimovics stress the importance of managing the board relationships and of external relations in general, along with the use of a political framework. All of these seem to be linked to this quadrant.

One element of the NNSWM's (2004) list that has so far not been placed is ethics. This is shown in Figure 37.1 as underlying all the quadrants.

Combining the theoretical view of nonprofit leadership set forth by Schmid (2006) with the specific skill sets described by a number of authors yields a clear approximation of which nonprofit leadership skills are needed with different leadership styles, which, in turn, work best in different organizational situations. It is important to remember that none of the quadrants is "better" than another—and none of the sets of skills described is inferior to another. Just as a carpenter uses many different tools depending on the job to be done, nonprofit managers must have a set of skills at their disposal in order to be able to employ the ones that fit the situation best.

Future Directions

Leadership is a fascinating topic for those in the nonprofit field. Given the difficult-to-define nature of what nonprofits are to achieve and the multiplicity of theories about how to be a good leader, continued research is imperative. Besides better defining which skills might be most important in what type of situations, other areas for research are needed. One of the important topics is to assess how students and current leaders can learn new skills and improve current basic levels of leadership skills. Are leadership skills best learned in formal academic programs such as nonprofit management, in schools of social work, in business administration, in public administration, or in on the job experience? Another area of needed research is perhaps the most difficult of all: How does improved leadership link to improved outcomes for clients, students, or the public at large? Because nonprofits are legally chartered to enhance the public good, we must always keep sight of the

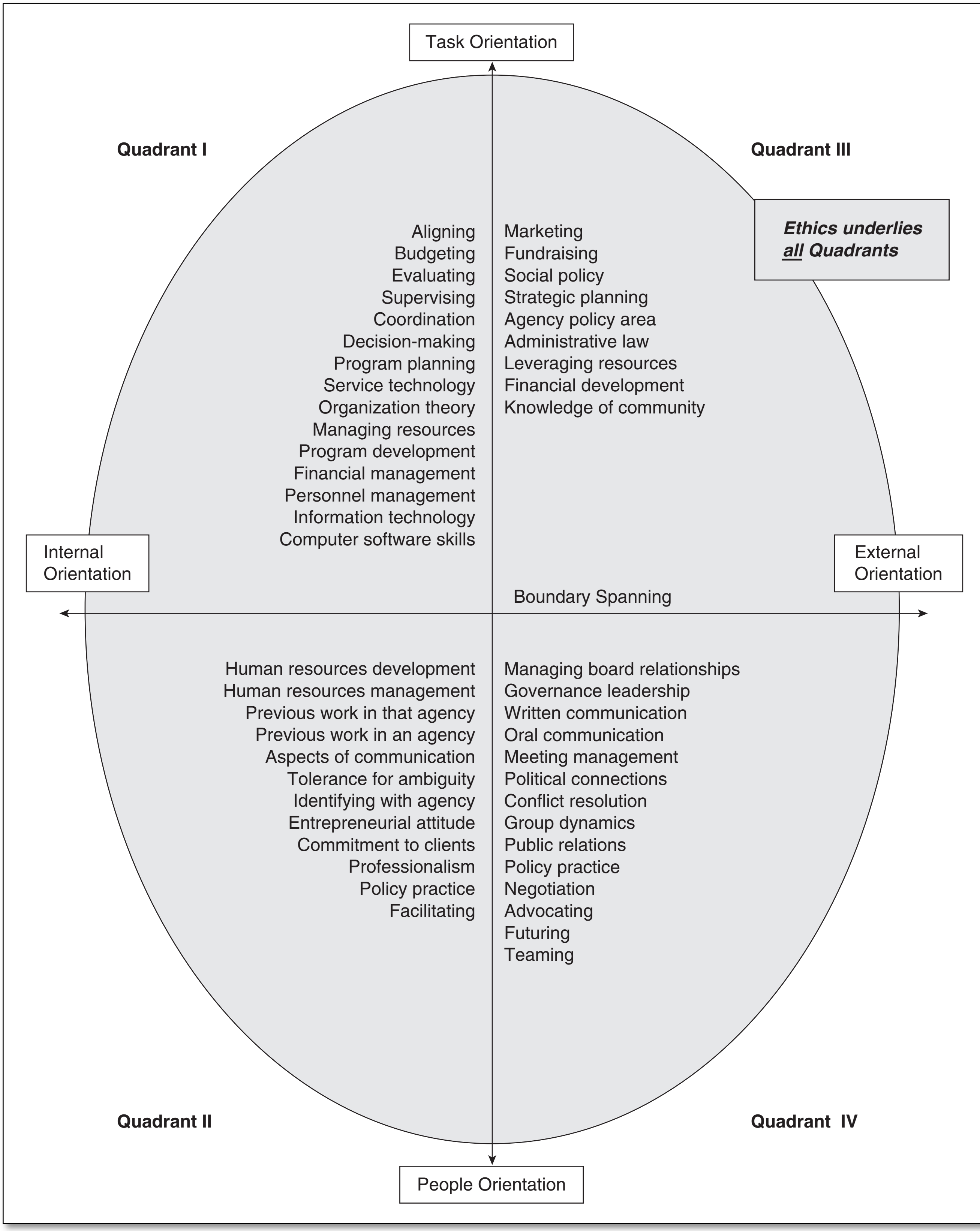

Figure 37.1 Leadership Orientations and Corresponding Skills

SOURCES: Adapted from Hoefer, 2003; Menefee and Thompson, 1994; National Network for Social Work Managers, 2004; and Schmid, 2006.

connection between what leaders do and how the public benefits from those actions.

Summary

In the end, we must echo Tschirhart's (1996) words as she ends her book on leadership in nonprofit arts organizations: "There are no simple formulas to adopt" (p. 84). Despite this warning, we have identified basic leadership skills that are needed across the spectrum of nonprofit organizations (particularly human service agencies) and the situations in which they are most useful. With this as a guide, organization leaders may find it easier to have a positive impact, despite daunting challenges in their everyday work.

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38

Roles, Responsibilities, and Characteristics of Nonprofit Leadership

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Jim Collins (2005) described the purpose of the social, or nonprofit, sector as being "to meet social objectives, human needs, and national priorities that cannot be priced at a profit" (p. 19). Although nonprofits have similarities with for-profit organizations, some important differences include the following (Beck, Lengnick-Hall, & Lengnick-Hall, 2008; Collins, 2005):

- Nonprofits are driven by values, not profits.
- Nonprofit personnel, including paid staff and volunteers, are often highly diverse.
- Most nonprofits have small staffs and small budgets, compounding leadership and management challenges.
- Chief executives of nonprofits deal with a wide variety of organizational challenges, often wearing too many hats.
- Nonprofits deal with increased scrutiny from benefactors and government agencies.

Considering these differences, nonprofit leaders need to develop a unique set of skills that differentiate them from many for-profit leaders, like fundraising and grantwriting, balancing governance issues with management issues, understanding nonprofit budgeting and accounting, and dealing with basic program design and evaluation as they relate to funding and reporting requirements (Nanus & Dobbs, 1999).

In this chapter, we explore a key driver that brings all of these aspects together to produce a functioning, effective organization: leadership. So what does it mean to be a leader in a nonprofit organization? We will answer this question with the three Rs—roles, responsibilities, and required experience; these are the basics of most careers. Each of these characteristics of nonprofit leadership can be looked at internally and externally, both of the leader and of the organization itself.

In the typical structure of a nonprofit organization, as shown in Figure 38.1, the executive director has the broadest contact within the organization. Herman and Heimovics (1994) say, "Boards retain their legal and hierarchical superiority (and sometimes must exercise it), while executives typically have greater information, expertise, and greater stake in and identification with the organization" (p. 139). Given this, our conversation about the three Rs will focus on leadership through the executive position.

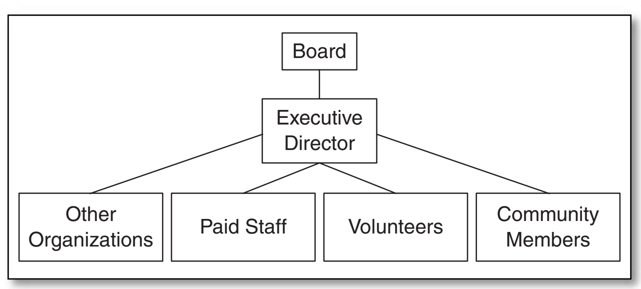

Figure 38.1 The General Structure of Nonprofit Organizations

Before we address the three Rs, this chapter will first seek to define leadership and what leaders do in general, setting a context for the rest of the chapter. We will then focus on the three Rs. Because all organizations operate in a greater context, the three Rs will be described from internal and external viewpoints. The chapter will conclude with ideas to consider for those interested in a leadership role in nonprofit organizations.

Defining Leadership and Its Importance

Throughout the ages, people have been preoccupied with leadership. Early written concepts of leadership can be found in Egyptian hieroglyphs, Chinese classical writings by Confucius and Lao-tzu, and Greek writings about heroes and leaders in such works as Homer's *Iliad* and Plato's *Republic*. Our preoccupation with leadership has continued to grow. For instance, in 2005, Google Scholar listed 16,800 books on leadership along with 95,500 other publications (Bass, 2008). This points to one important conclusion: Leadership matters.

Although the literature on leadership continues to burgeon, leadership experts focus almost exclusively on the for-profit business world (Collins, 2005; Drucker, 1990; Nanus & Dobbs, 1999). Given the abundant focus on for-profit leadership, we will focus our attention on defining leadership through the lens of literature related to the nonprofit sector. By doing this, we hope to synthesize an understanding of leadership that is unique to that sector.

Doe (2008) defines leadership as "a process by which one person influences the thoughts, attitudes, and behaviors of others. Leaders set a direction for the rest of us; they help us see what lies ahead; they help us visualize what we might achieve; they encourage us and inspire us." Similarly, Northouse (2007) defines leadership as "a process whereby an individual influences a group of individuals to achieve a common goal" (p. 3). Inherent in these definitions is the notion that leadership involves influencing others on multiple levels and creating a common cause or purpose.

Van Wart (2003) looks more directly at administrative leadership, suggesting several important aspects of leadership based on organizational norms, situations, and experiences. Important aspects of administrative leadership include

- achieving required results in an efficient, effective, and legal manner;
- developing and supporting followers who provide the results;
- aligning the organization with the external environment, especially necessary macro level changes, while realigning the internal culture as appropriate;
- maintaining a service focus; and
- providing guidance and feedback for technical performance, internal direction to followers, and external organizational direction all with a public service orientation.

In addition to influence and common purpose, Van Wart suggests that leadership also involves a balance between efficiency and effectiveness, on the one hand, and authority and legality, on the other hand. Van Wart goes on to suggest that leadership includes the development of followers, alignment of the internal organization with the external environment, and a commitment to a service orientation.

Berry and Cartwright (2000) argue that leadership cannot be separated from the social and political context in which it occurs. Despite the fact that we have entered into a world of postmodern theory, they say, many leadership frameworks are based on a functional perspective defined by a traditional principle/agent model. They argue that this focus is not sustainable. For leadership to be effective, it must be contextualized in the social and organizational processes in which it occurs. This context is especially important for the social sector, with its focus on meeting social objectives and human needs. Given this focus, nonprofits deal with a much greater diversity of people, in terms of those who contribute to the programs and those who receive benefits from the programs (Beck, Lengnick-Hall, & Lengnick-Hall, 2008; Drucker, 1990).

Jim Collins (2005) has done important work in translating his model for leadership from the for-profit arena to nonprofit organizations. In what he calls *Level 5 Leadership,* Collins has identified healthy and critical leadership characteristics that are required as someone progresses through their development as a leader. His model for nonprofits looks something like this (p. 12):

- *Level 1, Highly Capable Individual:* Has developed the knowledge and skills to contribute productively to the organization.
- *Level 2, Contributing Team Member:* Uses individual capabilities to work with others to achieve group goals effectively.
- *Level 3, Competent Manager:* Able to manage others and resources to achieve predetermined goals.
- *Level 4, Effective Leader:* Creates clear and compelling vision and goals for the organization and is able to compel others to achieve those goals and perform at a higher standard.
- *Level 5, Executive:* Builds greatness through blend of personal will and humility.

With this model, Collins (2005) identifies several important aspects of leadership. First, leadership can be learned in a stepwise and progressive fashion. The model begins with leaders developing personal skills and abilities that allow them to contribute personally to an organization. From here, leaders learn to apply their skills in a group setting, developing a sense of interdependence within the organization. Leaders then learn how to manage others in their own process of developing personal skills and abilities and applying those effectively in their work with others toward the goals established by the organization. Finally, the leader learns how to set organizational goals and mission while motivating others to understand those goals and strive for achievement.

Kouzes and Posner (1995) add yet another dimension to our discussion of leadership. Starting in 1980, they began research on the characteristics most admired in leaders. During a 10-year period, they surveyed more than 20,000 people on four continents. They found that most people admire and are willing to follow leaders who are honest, forward-looking, inspiring, and competent. These four qualities together help the leader establish credibility with followers, a critical precursor to group success.

So where does this leave us? To really understand leadership, we must understand that it has multiple dimensions. Leadership is

- a process of influencing others toward achieving common goals;
- a balance of efficiency and effectiveness with authority and ethics;
- a commitment to developing followers and maintaining a service orientation;
- a framework through which we contextualize our actions in social and organizational processes;
- a learning paradigm through which we view and influence our own development as well as the development of others; and
- a set of qualities that increase the likelihood of group success.

Van Wart (2003) sums up an effective leader's role:

> Effective leadership provides higher quality and more efficient goods and services; it provides a sense of cohesiveness, personal development, and higher levels of satisfaction among those conducting the work; and it provides an overarching sense of direction and vision, an alignment with the environment, a healthy mechanism for innovation and creativity, and a resource for invigorating the organizational culture. (p. 214)

Within this description of leadership, who then is a leader? Although we are focusing here on the position of executive director, leadership is not necessarily confined to the person hired for a position of authority. Any person in a nonprofit can and should be a leader within his or her position and given authority. This is yet another point that distinguishes nonprofit organizations from for-profits: the necessity for everyone from board member to staff member to volunteer to be a leader (Drucker, 1990). This has inherent challenges with it, but it also opens up the possibility for someone who is committed and dedicated to develop a strong sense of his or her own leadership style.

Before we discuss this, however, we will turn our attention back to the role of executive director, discussing the three Rs and their implication within the organization and outside the organization.

Roles and Responsibilities

This section will describe the first two Rs together because they are interrelated. The first R—role of a nonprofit leader—involves a more holistic, cerebral view of leadership whereas the second R—responsibilities of the nonprofit leader—involves more of the tasks and activities of leadership.

Figure 38.2 provides a visual for the general roles and responsibilities of an executive director. Inherent in these roles are three major aspects of nonprofit organizations: governance, programs, and central administration. Governance occurs primarily at the board level. At this level, key decisions are made regarding the focus of the organization, strategy, and other issues with legal, ethical, or financial implications. Roles at this level include being a visionary, strategist, campaigner, politician, and decision maker (McNamara, 1997; Nanus & Dobbs, 1999).

Through the board, the nonprofit organization is empowered to execute its purpose through the various programs it provides. These programs serve as the public representation of the organization's mission and purpose. The central administration, including the executive director, exists as a liaison between the board and the organization's programs to ensure proper resource allocation, reporting, and staff support. Executive roles include being a coach, change agent, project and resource manager, community liaison, fundraiser, and resource manager (McNamara, 1997).

In general, the role of a good leader in a nonprofit organization is to help drive that organization to succeed. The leader helps envision the overall environment in which

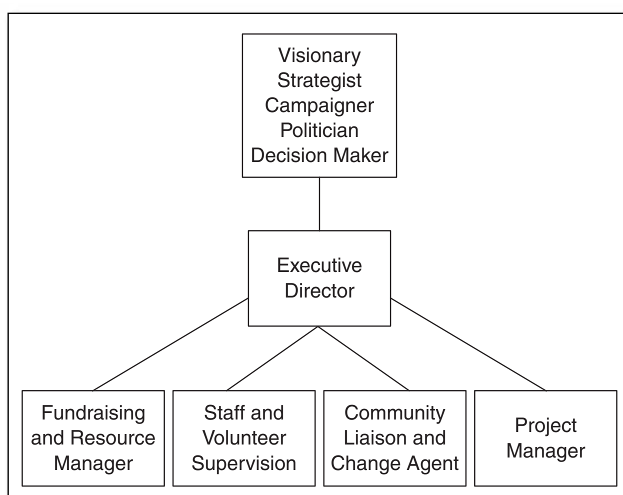

Figure 38.2 The General Roles/Responsibilities of an Executive Director

that organization works and its context, then works to assemble and motivate a team of employees to make decisions to be successful in that field. Leaders set the overall vision, mood, energy, and priorities for the organization. "Leaders should look into the congruency of their purposes, values, goals, objectives, and expressive outputs" (Mason, 1996, p. 196) and then guide the team in the appropriate direction while also overseeing and evaluating their actions. The leader must not only align the organization to its external context but also assess the organization internally to discover opportunities for improvement and to position the company to be most effective in their environment.

This notion of organizational alignment with the external environment is a critical responsibility for leaders in nonprofit organizations. Nonprofit organizations exist to fill societal needs that cannot be priced by the free market. Given this, an important aspect of leading any nonprofit organization is being able to recognize a need in society, define that need, and create and implement a strategy for addressing that need. The initial process of identifying and defining a need is critical in the process of creating the organizational mission—translating good intentions into performance (Collins, 2005; Drucker, 1990).

Nanus and Dobbs (1999) describe this process: "The primary mission of leadership in nonprofit organizations is to focus laser-like attention throughout the organization on the great good that it is capable of providing and then to marshal the energy and resource to make that great good happen" (p. 29). Figure 38.3 highlights key elements of this process.

From this figure, it is clear that the critical link between the external environment and the internal organization is

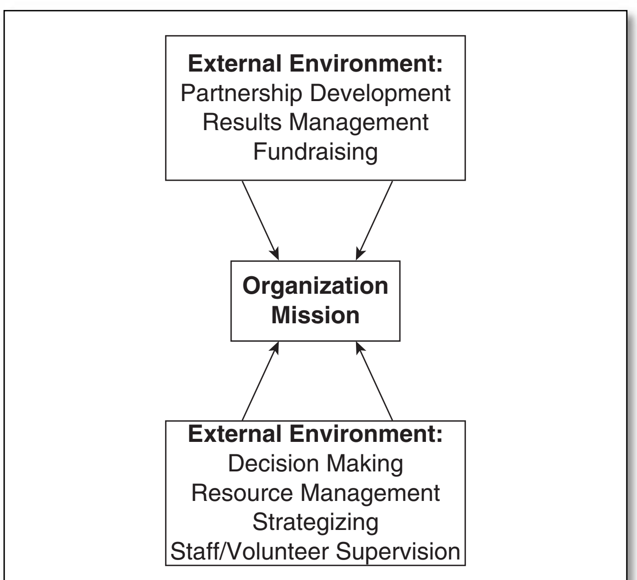

Figure 38.3 Critical Aspects of Organizational Alignment

the organization's stated mission. For the external environment, a clear mission communicates a set of intentions that allow other organizations, philanthropists, potential staff, and volunteers and beneficiaries to more accurately assess the congruence between the spoken intentions and their own interests. For the internal organization, a clear mission defines operational parameters and performance expectations and provides a focus for efforts. Research has demonstrated that a clear mission and vision leads to greater employee satisfaction, increased productivity, and greater organizational success (Blanchard, 2007).

Let's look more closely at external and internal responsibilities of leaders in a nonprofit context.

External Responsibility

One of the main responsibilities of nonprofit leaders is results management. To accomplish this, nonprofit leaders survey the environment in which their organization works to better understand community trends and needs. In turn, they assess their organization to find out how they are effectively meeting those needs, becoming responsive both to the community and to the field in which the organization works. Through their survey and assessment, leaders can help establish social and political capital, which is important to further situate the organization for success. Another characteristic of externally focused responsibility is collaboration with other organizations. A leader can leverage his or her organization's specialties and capacities by partnering with another organization whose different skill sets help to enhance the first organization.

In a telephone survey of 250 executives from nonprofit organizations across the United States, Paul Light (2002) found that high-performing executives aggressively interact within their environment. They "actively collaborate with other organizations," engage in some type of entrepreneurial activities that "generate at least some unrestricted income," diversify their funding and resources, and "measure the results or outcomes of what they do" by comparing their organization with others (p. 46).

Internal Responsibility

Internally, the leader is responsible to both the employees and the board of directors. A good leader focuses on enhancing employee relations. He or she can do this by (a) mobilizing employees around a common philosophy, goal, and vision; (b) encouraging and recognizing employee contributions; (c) helping employees balance work and personal lives; and (d) helping employees grow professionally.

Mason (1996) argues that organizations and employees are successful when a sense of community and cohesiveness is nourished. Leaders can develop this cohesion, Mason says, through the development of "ceremonies and symbols, communication . . . functional interdependence, future prospects, actions to harmonize differences, homogeneity, frequent interaction, . . . integrity, . . . feelings of ownership, proximity, [and] shared experiences" (p. 154). Mason continues by citing factors that destroy cohesion—"competition among groups for scarce resources, conflicts among individuals, conflicts over values, and goal evolution" (p. 154).

As stated earlier, the executive director of the nonprofit organization is the one who has direct responsibility to the board of directors. Other leaders in the organization interact with the board indirectly but are still responsible to the board for their actions through the executive director. The executive's responsibility to the board includes (a) being a liaison between the board and the employees, (b) expressing organizational difficulties and successes to the board, (c) helping the board with fundraising and organizational development, and (d) making sure the board's policies and demands are carried out.

Additional internal responsibilities of the nonprofit leader are related to organizational strategy, which includes intentional actions to enhance the future of the organization. A leader is responsible to organizational strategy when he or she

- thinks and acts strategically for the organization's future;
- works with the board of directors to establish a vision and goal for the organization;
- encourages innovation at all levels of the organization;
- promotes an atmosphere of determination, hard work, and expectations for greatness;
- fixes problems directly and forthrightly;
- allows employees to contribute to decision making; and
- is fiscally responsible by using resources wisely.

Mason (1996) believes that organization strategy is mandatory because "organizations can drift into serious trouble if they simply extend one year's activities into the next without intentionally directing their efforts toward where they should be going" (p. 184). He highlights activities that all leaders should do to enhance organizational strategy—assessment, planning, organizing, recruiting and guiding staff, and feedback evaluation.

Required Skills, Attributes, and Experiences

"Managing and leading a nonprofit is a complex job, requiring a wide range of complex skills. The more a manager understands the functions that are effective, the more effective will that person become," says Mason (1996, p. 225). He posits that effective managerial functions include inclusive communication, participative decision making, systematic delegation, emphasis on ethics, opportunities for expression, conflict management, and support and empowerment of others.

After interviewing 166 graduates of top policy and administration schools, Paul Light (2000, p. 43) found eight leadership skills that more than 50% of the graduates believe are necessary for success in nonprofit leadership—maintaining ethical standards (89%), leading others (76%), managing conflict (66%), managing information and communication technology (66%), managing innovation and change (57%), doing policy analysis (55%), influencing policymakers (54%), and raising money and generating extra revenue (51%).

We categorize these skills into intrapersonal and interpersonal skills. Intrapersonal skills include being competent, honest, ethical, flexible, courageous, and present- and forward-looking. It also includes having tenacity and passion for the work that you are doing. "Leaders in the nonprofit sector must be able to deal with non-conforming free spirits and welcome flexibility, innovation, and creativity," says Mason (1996, p. 16). A leader has interpersonal skills when he or she inspires others, has empathy for others, and has good communication skills.

Employee Relations

Leadership in any organization is important; it is critical in a nonprofit organization. Because many nonprofit organizations rely on the manpower of the people that work for it, having someone to guide the staff to a mutual vision and goal is crucial to successful cooperation and teamwork. Leadership of any kind requires followers that the leader can direct (Doe, 2008). Lack of good leadership can cause an organization's members to become disorganized, have conflicts, or make decisions based on self-interests (Doe, 2008). As such, good leaders need to have well-defined interpersonal skills and an emphasis on ethics (Doe, 2008; Van Wart, 2003).

The first behavior related to employee relations is to mobilize employees around a common philosophy, goal, and vision. As a way of controlling discourses, "it has been argued that leadership is a process of seduction to draw people into commitment to the corporation or organization" (Berry & Cartwright, 2000, p. 346).

Other leadership skills related to relations with employees include recognizing employees for their contributions to the company and their successes, having empathy for others and making them feel important, helping employees balance work with personal growth and family, and allowing employees space and freedom to grow professionally. "It is not easy to let someone else take the lead. To do this demands a special openness and the ability to recognize what is best for the organization and how best to respond to a given issue," says De Pree (2004, p. 49). It is important to allow employees the opportunity to give their input and even more important for the leadership to incorporate those suggestions.

De Pree (2004) describes the impact that a good leader has on employees:

> In a day when so much energy seems to be spent on mainte nance and manuals, on bureaucracy and meaningless quantifi cation, to be a leader is to enjoy the special privileges of complexity, of ambiguity, of diversity. But to be a leader means, especially, having the opportunity to make a meaning ful difference in the lives of those who permit leaders to lead. (p. 22)

Company Strategy

A major skill that many leaders mention is to think and act strategically for the future of the company, establishing a vision and goal for the direction of the company. They also find it is important for the company to be innovative at all levels, to hire the right people, and to make connections across all areas in the company. Furthermore, leaders should promote a company atmosphere of determination, hard work, and expectations for greatness. Understanding and fixing problems up front helps the company to grow and become better.

Many of these skills seem similar to those needed in the private sector. Although private business leaders agree overall on the type of leadership skills for the private sector, these may not exactly apply to the nonprofit sector. Van Wart (2003) says that leadership styles can vary in effectiveness depending on the type of situation—maintenance, project or task force, line versus function, start-up or turning an organization around. However, Rainey and Bozeman (2000, summarizing Herbert Simon, 1995), say that "public, private, and nonprofit organizations are essentially identical on the dimension that receives more attention than virtually any other in discussion of the unique aspects of public organizations—the capacities of leaders to reward employees" (p. 449). If rewarding employees is similar across the sectors, then could other skills be effective in the nonprofit sector as well?

Max De Pree (2004, p. 24) agrees with a variance in leadership skills because businesses are moving away from management through power to persuasion, which makes the traditional, formal power structure out of date. He says the most effective management in today's business is one of participation because "effectiveness is doing the right thing" while "efficiency is doing the thing right" (p. 19).

Doing the right thing in nonprofit administration is using resources wisely to provide services for the public and community. This efficiency of resources may require some leadership skills from the business sector, like setting strategic goals for the future, expecting high performance from employees, and allowing employees to contribute to decision making. "Leadership takes place primarily through the means of visions, strategies, and overall guidelines, rather than traditional command or work based on and using the means of bureaucracy" (Alvesson & Sveningsson, 2003, p. 964).

In addition, business leaders of the private sector cite clear and constant communication with employees as one of the skills they have learned to be successful. By implementing communication processes, nonprofit leaders can help to break down power structures within their organization and construct their own institutional reality, which can help make that organization successful. Alvesson and Sveningsson (2003, p. 982) warn, however, that the discourse of leadership regarding visions, values, and strategies may contradict the practical constraints, administrative demands, and uncertain relevance of their work. This contradiction may lead researchers to assume language regarding good leadership translates into good actions of those leaders when in reality it does not (Alvesson & Sveningsson, 2003).

Experiences Required

Just as the skills needed to be a nonprofit leader are varied, so are their backgrounds. Many leaders enter into nonprofit organizations from the private sector; others start as entry-level employees in nonprofits and work their way up through the organization. We argue that no particular experiences are required to be a leader in an organization other than the willingness to work hard, learn from others, and allow others to participate in the process. Being a nonprofit leader is a sink or swim proposition most of the time. To be a leader, one needs to jump in and take charge with whatever authority and responsibility he or she is given.

Recommendations for Students

> *Most leaders I've seen were neither born nor made. They were self made.*
>
> Bernard Bass

The next question some may ask is how one becomes a good leader. Berry and Cartwright (2000) suggest there are three ways to form a good leader: (1) leadership is inherent and can be formed through experience on the job; (2) it can be formed through action learning—a process of learning involving action, reflection, and theory building; or (3) it is designed and built. Most researchers support the second method of leadership formation (Berry & Cartwright, 2000; Bolshyk, 2000; Brooks-Harris & Stock-Ward, 1999; Revans, 1980).

Researchers have identified other factors that increase the effectiveness of the action learning process. First, combining academic components with experiential components leads to greater transformation. When academics are blended with experience, the information being learned is rooted in the experience of the participants and becomes more tangible. When experience is combined with academics, participants are better able to process the deeper rationales and issues involved with their personal experiences (Bolshyk, 2000; Brooks-Harris & Stock-Ward, 1999; Revans, 1980). This factor is becoming more practical with the proliferation of academic programs in nonprofit leadership. Johnson (2009) cited the existence of only 17 graduate programs with a concentration in nonprofit management in 1990. By 2007, the number jumped to 145. Those numbers will continue to increase as interest in careers with nonprofit organizations grows (Johnson, 2009).

Second, leadership development that occurs over time, as opposed to occurring through isolated presentations or experiences, leads to greater outcomes. Drawing learning experiences out over time allows participants to process information more deeply and apply it to real world situations (Avolio, 1999; Conger & Benjamin, 1999; Van Linden & Fertman, 1998). You can accomplish this, again, by taking classes and by getting involved in student organizations, volunteer activities, or internships.

Third, leadership development is enhanced through the inclusion of structured reflection or journal writing. Through journal writing, learners are able to process material, associate the material with their own experience, and apply the material to future decisions and actions (Van Linden & Fertman, 1998).

Finally, the presence of coaches or mentors leads to greater outcomes for learners. Coaches and mentors also allow for deeper reflection by learners in addition to providing guidance, support, motivation, and life examples (Bolshyk, 2000; Van Linden & Fertman, 1998). Seeking leaders in the nonprofit world is a great way to network as well as build relationships that can enhance learning.

Earlier in the chapter, we talked about *Level 5 Leadership* by Jim Collins. Within that discussion, we suggested that this model could be used to map out a leadership development program. The model begins with the leaders developing personal skills and abilities that allow them to contribute personally to an organization. From there, leaders learn to apply their skills in a group setting, developing a sense of interdependence within the organization. Leaders then learn how to manage others in their own process of developing personal skills and abilities and applying those effectively in their work. Finally, the leader learns how to set organizational goals and mission while motivating others to understand those goals and drive for achievement (Collins, 2005).

As you look at your college career, find organizations or volunteer opportunities that you are passionate about. Try them out as a general member or participant. As your understanding of the organization and leadership grows, take on more and more responsibility, making sure you note key learning moments that occur during your experience. Work with leaders within the organization to build a network of support to enhance your present learning and future possibilities.

Summary

Leadership is a critical aspect of any organization, particularly nonprofits. With so many perspectives on leadership, it can be difficult to define. Appelbaum, Hébert, and Leroux (1999) contend that leadership is a process in which leaders are constantly evolving within a social context and a socially constructed reality. They are working with a team of employees to accomplish certain goals, and therefore, they do not need to motivate people but help to facilitate the process (Appelbaum, Hébert, & Leroux, 1999). As such, different people within the organization move in and out of leadership positions in pursuit of the organization's mission and goals.

Considering these dynamics, it is important to reiterate how we view leadership. It is

- a process of influencing others;
- a balance of efficiency and effectiveness;
- a commitment to developing followers while maintaining a service orientation;
- a framework that guides our actions;
- a learning paradigm; and
- a set of qualities that increases group success.

Important to these perspectives, a leader must be able to navigate a complex organization tied to a social context by the mission it espouses. To successfully navigate the complexities, a leader must work with the board of directors to establish a clear and understandable mission and to establish credibility with the greater community, through meaningful interactions, accurate needs assessments, and results that matter. These results are obtained by aligning the internal organization with the overall mission of the organization while managing resources and personnel fairly and effectively.

It seems that many of these skills are interpersonal skills related to the charisma and management style of the individual leader. Yes, there are outside influences that can limit what a leader may do. There are choices, however, that individual leaders can make that are similar to the leadership skills found in private business. Employee relations skills work well in the public agency. A leader can praise employees for work well done, a leader can make others feel important, a leader can motivate others with honest and sincere recognition and celebration, a leader can show respect to others, a leader can give credit for success to others, and a leader can encourage high-concept thinking and skills—in other words, *Level 5 Leadership* (Collins, 2005).

Company strategy skills that nonprofit leaders can employ include offering opportunities for their employees to contribute suggestions for decisions and communicating with employees about common goals and philosophies of the agency. Leaders can do many things within the constraints of the organizational structure to make their agency more efficient and effective in promoting its mission.

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39

Traditional and Unique Features of the Nonprofit CEO Role

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Nonprofit CEOs shoulder tremendous responsibilities in administering nonprofit organizations across the United States, from Maine to Florida, California, and Hawaii. These individuals take on quite a rewarding burden in administering, managing, and at times operating these types of organizations. This chapter offers a good foundation for deconstructing their various traditional and unique roles. The work of a nonprofit CEO is indeed challenging and complex, but if the necessary management tools are properly used, the various tasks are not complicated.

Brinckerhoff (2004) sets the appropriate stage by pointing out that nonprofit organizations belong to the communities (groups of people, geographic determinants, social space) they serve, and leaders (CEOs are in this designation) have temporary and transitory stewardship over these entities and their various assets.

First, it is essential that readers understand how this author defines words in the chapter title: *traditional, unique, nonprofit, CEO*. The dictionary defines *traditional* as "inherited, established, or customary pattern of thought, action, or behavior" and *unique* as "being without a like or equal." Siegel (2006) defines a *nonprofit* entity as one that is structured and operated under articulated state laws, based on statutes governing nonprofit corporations. Pidgeon (2004) identifies the *CEO* as the person who attends to the realization of a core mission, as well as maintaining an organization's fiscal integrity. These foci are carried out with the following duties: supervising employed staff members and staffs that support volunteers; undertaking program development, which may include activities for individual members; and raising annual funds to support various activities. These definitions make a start at describing the responsibilities CEOs undertake and getting an appreciation of foundations and traditions.

How do these definitions relate to each other? Chief administrators who manage (and possibly operate) nonprofit entities need to have an appreciation for *time honored* methods for achieving distinctive organization missions, by *adhering to applicable laws* that govern its operations, staff, and finances. Following traditions to attain an organization's purpose is all well and good, but CEOs of nonprofit organizations of all stripes and hues must often think, behave, and act with "outside the box" methods that may be *considered nontraditional and unique*.

In the business sector, a CEO is responsible for operations, marketing, strategy, financing, creation of company culture, human resources, regulatory compliance, sales, and public relations. Pidgeon (2004) sees the evolution of the nonprofit CEO as a blending of past traditions with many business-sector CEO characteristics. Some traditions that were part of early America in the late 1700s and 1800s became more fully developed by the 1950s through the 1970s (Pidgeon, 2004): establishment of volunteer-driven organizations that eventually became commercial; formation of charitable and social welfare organizations, educational institutions, and health organizations; and development of religious institutions, civil rights movements, leisure

Author's note: I want to thank my current academic colleagues, my various graduate students, and my former staff members during my 25 plus years of executive office experience in shaping this submission.

organizations, and trade associations and fraternal organizations. Beyond these past traditions, Pidgeon (2004) points out that nonprofits and their leaders played key roles in America's transition from frontier to an industrial nation with an even greater role after World War II.

Typical words ascribed to a chief executive are visionary, leader, decision maker, and manager. According to McNamara (1997–2008), typical nonprofit CEO functions are board administration and support; overseeing program and service delivery; management of human resources, finances, risk, and facilities; assurance of community and public relations; and overseeing fundraising planning and implementation. As one can plainly see, these functions are similar to the responsibilities listed for business sector CEOs.

Nonprofit CEOs typically direct and administer organization operations and are customarily responsible and accountable for carrying out the policies established by the board of directors. Lencioni (1998) starts his leadership tale with the following: "Being the chief executive of an organization is one of the most difficult challenges a person can face in a career. But it is not a complicated one" (p. vii). As we explore the role of CEOs in nonprofit organizations, keep Lencioni's statement in mind, especially issues of challenge and complexity.

Traditional Nonprofit CEO Roles

What follows is a detailing of basic and traditional responsibilities using McNamara's (1997–2008) schema: (a) providing board administration and support; (b) overseeing program and service delivery; (c) managing human resources, finances, and risk; (d) assuring community and public relations; and (e) overseeing fundraising planning and implementation.

Board Administration and Support

Axelrod (2005) informs us that there have been assorted models for building effective boards, from constructing an intact partitioning of the board and staff to entrusting board leadership and development to the CEO. In addition to the division of labor and leadership, Axelrod (2005) states, historically, some boards and executives have confined policy formulation to boards and policy implementation to staff. Herman and Heimovics (2005) say "much of the substantial normative literature on nonprofit boards accepts . . . putting the board at the top of the hierarchy and at the center of the leadership responsibility" (p. 155). To place this into legal and moral perspectives, various laws maintain that nonprofit boards are ultimately answerable for organizational affairs and conduct as stewards of the public interest (Herman & Heimovics, 2005). Adding to this perspective, Overton and Frey (2002) point out that "the duty of care calls upon a director to act in a reasonable and informed manner when participating in the board's decisions and its oversight of the corporation's management" (p. 19).

As the division of labor may be dependent on the nonprofit entity's size and its current life-cycle stage, there is a convention that CEOs provide staff support to boards. According to Herman and Heimovics (2005), this practice does not mean that CEOs are simply agents of the board. In fact, it is acknowledged that board relationships with chief executives are more multifaceted than normative models indicate, and a partnership image is used to depict the association. Adding to this partnership perspective, Moyers (2006) states a most important governance responsibility shared by chief executives and boards entails ensuring organizations have a firm plan for the future. Ensuring a solid plan comes about by what Chait, Ryan, and Taylor (2005) call "governance as leadership." This model of governance and executive management implies

> more macrogovernance in exchange for less micromanagement . . . [in that] neither the board nor management can accept the "*quid*" but withhold the "*quo*." In other words, the board cannot move toward the top of the generative curve, where issues are framed, and at the same time remain as active at the bottom of the curve where strategic plans and technical tasks are executed. Likewise, executives cannot "evict" the board from the zone of micromanagement without some other place for the trustees to go, namely the realm of generative governance. (p. 179)

We start getting a sense of how working relationships and efforts are important traditions. Nonprofit CEOs should work in unison with boards (or trustees) for the benefit of the organization, its service delivery, and constituencies served by being "stewards of the public interest" as Herman and Heimovics fittingly put it.

Program Service Delivery and Evaluation

Service Delivery

CEOs have ultimate oversight responsibility for delivering the services and programs provided by nonprofit organizations. These duties of oversight and stewardship inherently embody choosing service over self-centeredness (Brinckerhoff, 2004). O'Neill (2002) aptly points out that the nonprofit sector touches all of us by having an immense presence in society through places of worship, health care, camps and amateur leagues, schools, research institutes, theaters and symphonies, human rights groups, and a host of others. This list displays the impact nonprofits have on our lives—worship activity; medical attention; Saturday morning soccer and baseball excursions; college degrees; plays or operas; or civil rights marches—the organizations that sponsor such events comprise the nonprofit sector and are being managed by chief executives. This responsibility involves some level of stewardship, which Block (1996) identifies as "the umbrella idea which promises the means of achieving fundamental change in the way we govern our institutions" (p. xx).

Furthermore, Salamon (1999) identifies service provision as one major contribution of nonprofit organizations. This function

> has been particularly important in a society which . . . is reluc tant to turn to government to respond to social and economic needs. The nonprofit sector thus functions as a first line of defense, a flexible mechanism through which people con cerned about a social or economic problem can begin to respond immediately without having to convince a majority of their fellow citizens that the problem deserves a more gen eral, governmental response. (p. 15)

Nonprofit CEOs thus, are somewhat averse to government intervention and address issues without government involvement.

One prominent and traditional way that nonprofits provide services and programs is through unpaid volunteers. McCurley (2005) points out that as the number of volunteer workers increases, their jobs become more multifaceted, and competition for their work becomes more common, volunteer management has also become more refined and imaginative. For a number of nonprofit organizations, CEOs have ultimate responsibility for volunteer programs and coordinating volunteers' efforts (see McCurley & Lynch, 2006).

Evaluation

Whether services are provided solely by volunteers, by paid employees, or a combination thereof, some level of program evaluation must occur. Kopczynski and Pritchard (2004) inform us community-level evaluation takes place to provide particular services to a particular population. Evaluation occasionally occurs when funders request assessment of individual programs that provide a service directly or indirectly. This responsibility is carried out for stewardship purposes and evaluation of program efforts. CEOs need to assure organizations' various publics that they're fulfilling their responsibilities and mandates in accordance with established missions and purposes. In addition, Spaulding (2008) indicates program evaluation is carried out for decision-making purposes by investigating programs to establish their significance and to make suggestions for programmatic enhancement.

Human Resources, Finances, and Risk

CEOs must manage an organization's human resources, finances, and risk, with a balanced understanding of human characteristics, the full impact of fiscal issues, and the various risks related to both the human and financial components of any nonprofit organization.

Human Resources

According to Pynes (1997), nonprofit organizations are finding themselves confronting various economic, technological, legal, and cultural changes and challenges with which to cope if they are to remain viable, and she believes a key to viability is well-trained and adaptable employees. Environmental factors clearly affect an organization's human resources management. Macduff (2005) also identifies the importance of training as organizations openly acknowledge that employees need a certain level of proficiency to work toward the organization's mission.

Attracting, selecting, and retaining staff are perhaps the most significant processes organization managers undertake; organizational employees are the "architects and agents of everything that ultimately gets accomplished" (Watson & Abzug, 2005, p. 623). An interesting issue revolves around the paradox that Watson and Abzug (2005) identify; leaders of nonprofit organizations often need reminding about the importance of the organization's people, even though their very missions are humanistic in nature, and humanism should come naturally. Most organizations in the nonprofit sector need the best compensation system they can afford to attract and reward the best workforce.

Without the human factor, nonprofit organizations could not offer services and programs. The management of human resources involves a fair amount of detail beyond mere recruitment, hiring, supervising, evaluation, and potential dismissal. Human resource management also needs to consider: (a) Do employees' motivations and motives fit with the organization's mission? (b) Are the job duties and responsibilities proper and appropriate? (c) Is the compensation package adequate for current economic conditions? (d) Are there employees who should be developed for the ultimate CEO level?

Financial Decisions

CEOs must make sound financial decisions within board-established boundaries by following established regulatory standards and best practices. CEOs don't need to be certified public accountants, but they should be familiar with the essential principles of finance and accounting and have the capacity to make capable resolutions on the basis of the organization's overall financial picture. Anthony and Young (2005) remind us of two elementary differences between commercial and nonprofit organizations: Commercial businesses have shareholder transactions, whereas nonprofits do not, and nonprofit organizations receive contributions, which businesses do not.

Stewardship necessitates financial oversight, and Brinckerhoff (2004) indicates that nonprofit executives' financial reporting should "provide *accurate, complete information* . . . [to] be presented in a form that is *useful to the intended audiences*" (p. 140; italics in original). Rigorous financial oversight is necessary in any type of economic condition, be it harsh, mild, or bountiful. Attending to financial assets, properly accounting for such assets, and being transparent with such information is of utmost importance for nonprofit CEOs.

A troubling part of administering nonprofits is that while nonprofit leaders recognize that risk management is important for the sustainable fitness of their organizations, they may not seek out education and training in this area. Many nonprofit leaders view risk management as an unaffordable extravagance. Others are unsettled by risk management's technical features, including its finance component, and some managers are disturbed by its business orientation and analysis (Herman, 2005). A CEO must devote effort to developing risk management plans by committing time and necessary personnel—depending on organizational size, this may be led by a volunteer or board committee, the CEO and staff members, the human resources department, or an outside consulting firm. Risk is inherent in operating nonprofit organizations (or any other type, for that matter), and this must be viewed as a challenge to be met head-on by the chief executive and other staff members.

Community and Public Relations

CEOs must assure the oversight of an organization's community and public relations. Gainer and Moyer (2005) indicate that nonprofits recognize the need to extend their actions beyond direct services or advocacy and to concentrate on the clientele they are trying to reach. These activities involve understanding and fulfilling these needs with plans based on understanding markets to meet various stakeholders' requirements.

According to Moyers (2006), the CEO, more than any other nonprofit leader, serves as the organization's most noticeable and consistent public face. Furthermore, board members and senior staff also should publicly represent the organization and assist in building relationships with individuals, organizations, funders, partners, and policymakers. In fact, Andreasen and Kotler (2008) argue that

> marketing is among the most critical if not *the* most criti cal discipline needed for nonprofit success. Just as in the private sector, success ultimately requires that nonprofits influence behavior in a wide range of key target markets clients, funders, policy makers, volunteers, and the media, as well as the nonprofit's own staff. (p. xix)

In competitive markets, public advocacy, public relations, and marketing are an important set of tools for harvesting both public and financial support. To this end, Brinckerhoff (2004) identifies a number of characteristics of a market-driven nonprofit: (1) having a knowledge of markets, (2) treating all constituencies as customers, (3) involving all staff and volunteers in marketing efforts, (4) staying attuned to customer needs, (5) sustaining innovation and flexibility, and (6) not fearing the competition.

Fundraising Planning and Implementation

CEOs have ultimate responsibility for planning and implementing efforts to raise funds from various sources—private, foundations, and government. Nonprofits that rely on private sources experience quite a bit of anxiety, Moyers (2006) states. CEOs are clearly important participants in building relationships with key institutions and individuals and in ensuring effective involvement of board member in fundraising efforts.

Fogal (2005) reminds us that raising funds is a most important management and leadership assignment and has become sophisticated, aggressive, and competitive. Nonprofits, nevertheless, should not exist just to raise funds; they pursue a mission pursuit to benefit some current or future public component. One important fact is highlighted by Emerson (2005):

> Because of the charitable sector's importance and dramatic growth, and because of the unfortunate fact that there have always been individuals who engage in charitable solicitation fraud, [numerous] states have enacted solicitation statutes that typically require organizations to register before they solicit a state's residents for charitable contributions. (p. 8.1)

Social Enterprise

One issue attracting quite a bit of attention revolves around enterprising organizations, social innovators who are entrepreneurial in spirit and action. Massarsky (2005) discusses ventures that earn income to provide organizations with additional streams of revenue to support their efforts. Some proposed examples are: (a) charging service fees; (b) selling products; (c) developing, selling, and leasing land and buildings; and (d) holding assets such as copyrights, patents, and trademarks. A noteworthy consideration is made by Farruggia (2007):

> The social enterprising "train" is moving along the track at a very strong pace and nonprofit organizations that wish to "keep their heads above water" need to "purchase" the correct "ticket" so they will not be left at the station with a tattered suitcase from last century. (p. 12)

Fundraising issues direct our attention to the need to be good stewards and to honor the various inherent functions, behaviors, and obligations associated with these words.

Synopsis

Responsibility peppers this section. The CEO of any nonprofit organization must openly accept ultimate responsibility for providing support to the board of directors by working collaboratively with them. The CEO also has vital oversight of program and services, encompassing human, financial, and risk factors. Furthermore, the CEO engages in community and public relations by recognizing the commitment to be the organization's "public face" and to oversee fundraising from various sources.

Unique Nonprofit CEO Roles

What follows is a review of the author's practical and experiential awareness of unique methods and mechanisms for nonprofit organization CEOs. These methods can be used individually, or in combination, as ways of sustaining and advancing organizations (Farruggia, 2005). These components include addressing issues of resources, operations, strategic planning, government relations, performance, environmental factors, relationships, and the necessity and need for the nonprofit sector and its place in our social constellation.

Developing and Perpetuating Resources

This unique feature is related to the above-mentioned traditional features of overseeing fundraising planning and implementation and managing human resources, finances, and risk. CEOs of nonprofit organizations must develop and perpetuate resources through fiscal growth and organizational expansion. This translates into developing a sizable power base, extending services to nontraditional clientele, providing products and services, and adopting and using some form of social entrepreneurism for generating earned income. An organization's mission-based services are of great importance; being in a position that allows service growth is directly related to its purpose, which in turn, reflects positively on the CEO's fidelity to it.

The livelihoods of employees at nonprofit organizations require that CEOs develop and sustain fiscal resources so that services and missions can be continued. Resource development also involves a realistic need to develop a sizable power base, which can be drawn on for support and sustenance. The CEO must accomplish this resource development with the proviso of not appearing to be power hungry, which is not an admirable quality for nonprofit CEOs. Stewardship is at the heart of this feature as opposed to the mere collection of power and resources for personal gain and private inurement.

Making Operations "Business" Acclimated

This unique feature is related to the above-mentioned traditional features of providing board administration and support and overseeing program service delivery and program evaluation.

CEOs must make an organization's operations more business acclimated; this involves maintaining a competitive edge in an organization's market, using corporate best practices. Addressing internal and external environmental forces requires good business people, individuals who are knowledgeable about the various aspects that encompass nonprofit administration and management and can use them effectively.

A CEO must know the business of nonprofit services, its multifarious components, and the scheme of where and how it properly fits into current social and economic strata. This necessitates the development of corporate best practices such as corporate structures, financial accountability, service efficiency, and responsiveness to current and anticipated market conditions.

Employing Strategic Planning and Management

This unique feature is related to the above-mentioned traditional features of overseeing program service delivery and program evaluation; managing human resources, finances, and risk; assuring community and public relations; and overseeing fundraising planning and implementation.

CEOs need to employ strategic planning and management; this involves remaining open, responsive, and sensitive to managerial and operational changes and needs. It is important to know and understand the various components that make up the system in which the nonprofit organization is located or situated and its own specific place in that system—be it human care, health or rehabilitation services, youth services, vocational education, or the other myriad realms of nonprofit activity. Openness, responsiveness, and sensitivity to changes are ongoing concerns when it comes to maintaining an organization. Responsiveness to the needs of an organization's multiple constituencies is of unparalleled importance in providing better services to its communities.

To be open and sensitive to the changing and elastic needs of constituencies, CEOs must have full understanding of their responsibilities to be responsive to the needs of clienteles, funding sources, governmental representatives, politicians, other service providers, the business community, media outlets, general public, and other entities that interact with their organization and may have a stake in it. An important proviso is the possibility of bending in the wrong direction for the mere purpose of satisfying a particularly important constituent or constituency group (for further details, see Zack, 2003).

Fostering Government Relations

This unique feature is related to the above-mentioned traditional feature of assuring community and public relations. CEOs need to foster government relations by being aware of and understanding politics (process and politicians), legislation (past, present, and proposed), and public policies (past, present, and proposed). Otherwise, government affairs in these three areas may wreak havoc. Also needed are efforts to provide a better service by being on top of things.

Using Outcome Measures and Performance Indicators

This unique feature is related to the above-mentioned traditional feature of overseeing program service delivery and program evaluation. Understanding and adopting performance and outcome measures means that CEOs must embrace business-like behaviors. Nonprofit organizations have a moral and fiduciary responsibility to perform successfully and provide outcome data for the public good. Performance indicators and outcome measures speak to organizational success, and reputations depend on what is done and how an organization carries itself.

Using Environmental Factors and Conditions

This unique feature is related to the above-mentioned traditional features of overseeing program service delivery and program evaluation; managing human resources, finances, and risk; assuring community and public relations; and overseeing fundraising planning and implementation.

Using environmental factors and conditions as organizational guides means that CEOs incorporate stewardship, the blending of market and mission, community involvement, and mission advocacy. Understanding mission and stewardship means acknowledging the organization's constituency. This is an economic reality as much as it is a social goal. The responsible pairing of mission adherence and respect for the market as compatible and equal social goals is what makes the nonprofit sector different from the governmental and commercial sectors.

Maintaining involvement in a constituency or geographically based community cannot be separated from the organization's mission. CEOs require and use mission and advocacy to attract an increasing power base to expand resources and influence. An organization's staff must respect the market as a formidable component of the mission. It is part of the environment in which services are provided and one of the major guides for any organization.

Collaboration, Competition, and Consolidation

This unique feature is related to the above-mentioned traditional' features of overseeing program service delivery and program evaluation; managing human resources, finances, and risk; assuring community and public relations; and overseeing fundraising planning and implementation.

Collaboration, competition, and consolidation involve networking, consolidation for efficiency and efficacy, the possibility of organizational merger, and an ever-present realistic competition for financial and human resources. Networking is essential for CEOs to function effectively on behalf of and within their organization. Organizations must go beyond survival and advancement modes to endure by joining others via alliances and partnerships and using the strength in numbers paradigm as growth and sustainability activities.

Competition within and by nonprofit organizations is a reality that cannot be escaped. Organizations compete for funds, human resources, public recognition, political influence (clout), constituencies, and all the other big and small things that are valued and ultimately make the difference between sustainability and failure. When it comes to sustainability, CEOs find themselves on some point along the collaboration-competition-consolidation continuum, epending on the need of the organization at any given time.

Understanding Nonprofit Pervasiveness and Necessity

This unique feature is related to the above-mentioned traditional features of providing board administration and support; overseeing program service delivery and program evaluation; managing human resources, finances, and risk; assuring community and public relations; and overseeing fundraising planning and implementation.

CEOs must fully understand and appreciate that the nonprofit sector is pervasive and necessary. Because of the existence of the have-nots, traditionalism is a driving force for the sector. History has shown that have-nots have existed since time immemorial and that some form of service has been provided in an informal fashion or some developed institutionalized form. Because needs exist, nonprofit organizations will maintain themselves in a position to meet the seemingly ongoing problems and issues that vex humankind or to address some unmet need due to the failures of the market or government.

Summary

As Galbraith and Lawler (1998) show, it is increasingly apparent that corporations, in order to compete, must continuously improve. In fact, Galbraith and Lawler state that an organization "cannot just match the latest innovation, it must also develop new competencies so that it creates the next innovation" (p. 2). CEOs must also maintain a competitive edge in their arenas, through a clear knowledge of nonprofit administration. Perri 6 (1993) also maintains that a competitive edge will help nonprofit organizations respond to a wide variety of variables and innovations.

It is no surprise that in Farruggia's (2001 as cited in Farruggia, 2005) original research, one theme garnered 100% agreement: *Management must discern new growth opportunities*. The building of resources, as reflected in this theme, is essential. Nonprofit CEOs are saying that they need to build their organizations by keeping their eyes and ears open to new prospects for organizational and programmatic advancements. They are also saying that they have a strong desire to do this via nongovernmental funding streams. All this is for the purpose of good stewardship and mission-driven service provision.

Having a clear knowledge of how to administer and manage a nonprofit organization involves understanding the system in which these organizations are participating. It is composed of various constituencies, entities, and stakeholders that are interrelated and quite often have conflicting requirements. Part of the key to navigating the system and surviving it involves "actively manag[ing] the triplet of cost, quality, and product or service" (Galbraith & Lawler, 1998, p. 2). Farruggia (2005) clearly points to the need for nonprofit CEOs to employ strategic planning and use outcome measures and performance indicators to properly navigate the system so that the nonprofit survives and its mission flourishes.

Several organizations have adopted various corporate-like practices for the following reasons: (a) to dispel the public's notion that nonprofits are not "real businesses" by using corporate titles and structures and renaming their public relations department *brand management;* (b) to generate more earned income in light of increasing competition and less government support; and (c) to use corporate techniques and best practices to achieve mission goals. Furthermore, Young (2000) indicates that nonprofit organizations can be thought of as commercial activities with social significance and portrays them as privately governed entities needing to remain solvent by participating in markets and competing for resources. They must not gauge their performance and effectiveness primarily on financial success because society has entrusted them to carry out social missions. This thesis is also very strongly promoted by Brinckerhoff (2004). CEOs seeking a full perspective on the issues of stewardship, corporate best practices, and sustainability may turn to the work of Tom Ralser (2007), who states: "Nonprofits are not that different from for-profits" (p. 3). This statement provokes impassioned discussion and debate, many may dismiss the idea. The management skills and missions may be different, but both nonprofits and for-profits "must *provide value to investors*" (p. 3). If a commercial enterprise does not do this, the market puts it out of business. If nonprofits don't do this, they are not funded. The message to nonprofit CEOs is quite clear:

> Nonprofits have investors, people, foundations, and corpora tions give money in return for something. . . . Not an investor as in an equity position, complete with shares of stock and legal claims on assets, but an investor in that they expect something in return for their money. The challenge [for CEOs] is in identifying what the investors expect and then giving it to them. (Ralser, 2007, p. 9)

To this view, Auerswald (2009) adds that social entrepreneurs matter for similar reasons that other entrepreneurs matter: They generate new, "disruptive models for organizing human activity . . . [by] . . . creating *social value*" (p. 51).

It's quite apparent that one cannot eliminate the need for nonprofit organizations from the environment, and the environment cannot be detached from such entities; or as Heimovics, Herman, and Coughlin (1993) indicate, all nonprofit organizations must engage in transaction with the environment as a condition of survival. Farruggia (2005) also points to using environmental factors and conditions as the guideposts for direction. These factors involve a judicious blending of market realities and mission fidelity and traditions. This brings into question our romanticized notion of the charitable subsector of the nonprofit sector. How does the presumed "invisible hand" of the market play a role in the lives of nonprofit CEOs?

The one theme that shines through with clarity is the current pervasive need for nonprofit services due to the omnipresent existence of the have-nots of the haves and have-nots dichotomy. This could cynically be interpreted as the social service subsector of the overall nonprofit sector being part of a system that earns its living off the backs of the poor. But the more positive spin on the need for social services comes through in the simplicity of the statement made by O'Neill and Young (1988): For nonprofits, the primary concern is the particular service, the given constituency, or the expressed cause, which is not submissive to a bottom line of financial or political matters.

The administration and overall leadership needed to operate nonprofit organizations is not an easy undertaking. This can be clearly measured by the above-identified CEO-generated management strategies formulated and grounded in the original gathered and researched data from Farruggia (2001, as cited in Farruggia, 2005). If an organization's CEO is properly performing designated duties and taking full responsibility for carrying out the organization's purpose, then continued operation and ultimate survival of the organization's mission and services are primary in his or her mind and actions. The need to carry on requires the acknowledgment and understanding that the particular service, the given constituency, or the articulated cause is not submissive in a wholesale fashion to the bottom line. The organization's primary interest has to be attended to by capable and competent leaders. CEOs must incorporate a philosophy of accountability that emanates from the past, endures in the present, and is conveyed to future leaders. Accountability takes into consideration the multiple constituencies with which all organization representatives need to interact and appreciates their varying definitions of organizational effectiveness. A nonprofit CEO has to be willing to endure impossible challenges and periodic unstable environmental conditions by being responsive and adaptive.

The author is not suggesting that one should abandon lofty ideals and goals and therefore discard the original intentions for the creation, development, and existence of the nonprofit sector. In the world of daily existence, down in the trenches, the lofty goals must be tempered by the realities of survival, the threats of mortality and extinction, and the need to keep an organization, its staff, and its clientele flowing. Life in the nonprofit sector is demanding, and it often takes the girding of one's loins and the steeling of one's emotions and feelings to make it. One does what one can and the best that one can with what one has.

Farruggia (2005) concludes with this thought expressed by a CEO of a Chicago-based nonprofit organization:

> I think the genius of the not for profit sector is its flexibility and adaptability and I think it needs to retain that; there will be new requirements and new needs that develop and I'm fully confident that somewhere in the not for profit commu nity some organization will respond to that. (p. 14)

To add to this, the CEO has a very prominent role in an organization's flexibility, adaptability, development, confidence, and responsiveness.

Remember Lencioni's words (1998): "Being the chief executive of an organization is one of the most difficult challenges a person can face in a career. But it is not a complicated one" (p. vii). All the above-mentioned details should give readers a good foundation for deconstructing the traditional and unique roles of the nonprofit CEO. The work of a nonprofit CEO is indeed challenging, but if the necessary management tools are properly used, the various tasks are not complicated; challenging yes, difficult yes, frustrating and aggravating yes, but not complicated in their simplest forms.

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Servant, Transformational, and Transactional Leadership

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In every nonprofit or socially beneficial organization, leadership is a quintessential element. Although many organizations fit the classification of nonprofit when they are being distinguished from government and commercial counterparts, they are exceptionally diverse in terms of directives, goals, and missions. Each organization has objectives and goals, and the various methods by which these objectives are achieved (or not achieved) are often a direct result of leadership styles and attributes of the people in charge. Many, if not most of the prominent leadership theories applied to public and business organizations can be applied as well to nonprofit organizations. Along similar lines, leadership traits among CEOs, executive directors, and individual board members entrusted to lead and manage nonprofit organizations also vary greatly, and the methods and techniques they employ in guiding their organizations to achieve tangible outcomes are often related to their personal leadership styles. There have been many case studies and scholarly articles on leadership traits and qualities in charitable organizations, philanthropic foundations, religious organizations, or other organizations classified as nonprofits, yet there is no singular successful leadership theory or practice. To date, each theory offered by leaders and researchers alike has demonstrated both positive and negative attributes. Some of these theories have more success in practice than others, and often, leaders must demonstrate flexibility in displaying their leadership skills, sometimes shifting from one practice to another depending on the situation. The premise of this chapter is to specifically focus on three of those concepts: servant leadership, transformational leadership, and transactional leadership. This chapter will survey literature that has examined the theories and practices surrounding these concepts of leadership and their relationship to the nonprofit sector.

The first section is devoted to the topic of servant leadership, its conceptual origins, a brief review on some recent scholarly research, critiques, and suggestions for future directions of servant leadership in nonprofit organizations. The subsequent section focuses on transformational and transactional leadership and how these theories of leadership may be related, intersect, or vary from each other. A brief review of the literature on transactional and transformational leadership is also included, along with some critiques. The chapter then concludes with some final remarks on these theories and offers suggestions for future research and practice in the nonprofit context.

Servant Leadership

Conceptual Origins

The concept of servant leadership is one that has attracted substantial interest among many leaders over the past few decades.[1] Many scholars attribute the concept of servant leadership to Robert K. Greenleaf, a notable management consultant who, prior to entering that field of work, spent a significant number of years at AT&T working in management development, research, and education (Spears, 2004).

Greenleaf (1977) posited that "the servant-leader *is* servant first. . . . It begins with the natural feeling that one wants to serve" (pp. 27–28, emphasis in original). In this sense, leadership begins with a commitment from the potential leader to serve others rather than pursuing his own self-interest, and this essentially is what is central to a leader's greatness (Spears, 2004). Greenleaf believed the primary purpose of business organizations should be to create a positive impact on their employees and surrounding community (Schermerhorn, Hunt, & Osborn, 2008). Yukl (2006) sums up additional attributes of servant leadership:

> The servant leader must stand for what is good and right, even when it is not in the financial interest of the organization. Social injustice and inequality should be opposed whenever possible. Even the weak and marginal members of society must be treated with respect and appreciation. Greenleaf pro posed that providing meaningful work for employees is as important as providing a quality product or service for the customer. He advocated that business organizations should consider social responsibility as one of the major objectives, and the board of directors should take primary responsibility for evaluating and facilitating progress on this objective.
>
> The servant leader must empower followers instead of using power to dominate them. Trust is established by being completely honest and open, keeping actions consistent with values, and showing trust in followers. . . . People should pre pare themselves to lead and accept the opportunity when offered. The result will be more people who serve as moral agents in society. (p. 420)

Spears (1998, 2004) perhaps best summarized the main tenets of servant leadership into 10 core characteristics from studying Greenleaf's original writings (although this list is not exhaustive, by any means). Spears listed them as follows:[2]

1. *Listening*. Leaders are often valued for their communication skills. Servant leaders listen intently to others and help reinforce the will of their followers by using this skill. An effective leader is also an effective listener.
2. *Empathy*. Servant leaders seek to identify with their followers and often go out of their way to help others feel accepted and valued in an organization.
3. *Healing*. Servant leaders often assist others in overcoming emotional difficulties; they seek ways in which they can help others to realize their full potential by overcoming personal grief or distress.
4. *Awareness*. This characteristic aids the servant leader in understanding issues involving ethics and values. Servant leaders who are self aware (i.e., aware of their role and how it works in sync with the organization and others in it), and aware of their organizational environs become stronger and more effective.
5. *Persuasion*. Servant leaders often rely on persuasion rather than authoritative positional authority when making decisions and leading an organization. Helping others see the rationale behind certain organizational motives without oppressive force is a key element in servant leadership.
6. *Conceptualization*. The ability to examine and eventually solve problems requires servant leaders to take a thoughtful and holistic approach to the entirety of a situation and not just the elemental steps of a given moment. In essence, they are required to focus simultaneously on both the "here and now" elements of their organization and the "big picture."
7. *Foresight*. Servant leaders must rely to a certain degree on intuition based on experiences from the past and elements of the present.
8. *Stewardship*. This characteristic is intricately tied to the greater concept of servant leadership, as it centers on the commitment to serving the needs of others. This element of stewardship conveys that leaders "invest" in those they serve in order to yield advantageous organizational progress and achieve goals on behalf of the organization.
9. *Commitment to the growth of people*. Servant leaders are nurturers and place great emphasis on ensuring that their followers realize their worth and overall value in an organization and individuals.
10. *Building community*. Servant leaders often set examples for others so that, in turn, others become servant leaders themselves. Servant leaders build smaller communities in the institutions where they work. This power of diffusion is also an important element of servant leadership.

Russell (2001) studied the role of values in servant leadership. He stated that values are an important part of every individual's psyche as they are the "underlying thoughts that stimulate human behavior. . . . Since values are prescriptive, they play an important role in determining the choices we make. Values are enduring standards that collectively form the value systems of our lives" (p. 76). Russell also noted that servant-leaders assert important placement of values, beliefs, and principles in leadership and that values are the core elements of the practice, which eventually incite servant leadership behavior in others. Furthermore, Russell identified several other attributes of servant-leaders, such as vision, credibility, trust, service, modeling, pioneering, appreciation of others, and empowerment. In terms of servant leadership affecting organizational performance, he wrote:

> Leader values significantly affect followers and ultimately influence organizational performance. In order to establish sound leadership practices, leaders must first examine their own belief systems. Thereafter, leaders should examine the values of their organizations. "Not until we have considered our leadership model at the level of its values, assumptions, and principles, can we discern to what extent we are leading from a power or a servant base" (Rinehart, 1998, p. 30). Such evaluations could spur leaders to challenge their personal beliefs and their organizational cultures. In so doing, they might initiate a revolution of servant leadership . . . may it be so. (Russell, 2001, p. 81)

Recent Research on Servant Leadership

Russell and Stone (2002) composed a very thorough literature review on the topic of servant leadership and acknowledged its growing popularity in terms of the various forms and styles of leadership. They noted that in Greenleaf's (1977, 1978) earlier work, he argued that colleges, universities, and seminaries fail in preparing young people for leadership roles in society and that leadership among a new generation is needed to address "the leadership crisis" Greenleaf describes. In addition to the attributes listed by Spears (1998, 2004) and others above, Russell and Stone noted the importance of the following traits in servant leadership based on trends from other research. They include: communication, competence, visibility, influence, encouragement, teaching, and delegation.

Joseph and Winston (2005) explored the relationship between employee perceptions of servant leadership, leader trust, and organizational trust. They found that perceptions of servant leadership were positively correlated with both leader and organizational trust; organizations that were perceived as "servant-led" exhibited higher levels of leader trust and organizational trust than organizations that were perceived as "non-servant-led." These findings supported Greenleaf's (1977) view that servant leadership is an antecedent of leader and organizational trust.

Barbuto and Wheeler's (2006) work was devoted to developing and validating an instrument that measured 11 potential dimensions of leadership, which included calling, listening, empathy, healing, awareness, persuasion, conceptualization, foresight, stewardship, growth, and community building—characteristics very similar, if not identical, to those previously mentioned in this chapter. They acknowledge the previous research completed since Greenleaf's original introduction of the concept, but they assert that there has been no consensus construct for empirical research. They believe that while most articles on servant leadership have stand-alone qualities, the work has not evolved, and the literature has now provided more differentiation than integration. They used data from 80 local leaders and asked 388 raters to test internal consistency, to confirm the factor structure, and to assess convergent, divergent, and predictive validity. From this, the results produced five servant leadership factors: altruistic calling, emotional healing, persuasive mapping, wisdom, and organizational stewardship. These factors had significant relations to transformational leadership, leader-member exchange, extra effort, satisfaction, and organizational effectiveness. These five factors, in effect, become even more concise than previous listings of the various qualities of servant leadership, without losing any of Greenleaf's (1977, 1978) original intent.

Critiques of Servant Leadership

Despite natural assumptions that tend to lend credence to the concept and its purported popular and positive view in practice, the concept of servant leadership is not without criticism. Though scholars have analyzed servant leadership in business, leadership studies, and organizational behavior, servant leadership studies in nonprofit organizations are virtually absent from top academic journals in the nonprofit and voluntary field. Many researchers believe that more empirical studies are needed to help validate the concept (Russell & Stone, 2002; Sendjaya & Sarros, 2002). Russell and Stone (2002) claim that it is systematically undefined and that the existing literature on servant leadership is predominantly philosophical. While the introduction of the concept of servant leadership is most often attributed to Greenleaf, several others (including scholars) have helped servant leadership achieve its relative prominence.

After calls to further substantiate and legitimize servant leadership as an important leadership theory and practice, more research of an empirical nature subsequently materialized (see Barbuto & Wheeler, 2006; Dennis & Bocarnea, 2005; Dennis & Winston, 2003; Joseph & Winston, 2005; Page & Wong, 2000). The relative lack of diffusion of servant leadership research among other academic fields and the absence of publications in other journals have most likely delayed the wider acceptance of servant leadership, although it continues to permeate audiences in additional fields, thus lending some credence to the theory and practice. Many schools of business and other academic programs in organizational behavior and theory have some instruction on the concept, although most texts (e.g., Schermerhorn et al., 2008; Yukl, 2006) relegate its coverage to just a few paragraphs. In very few cases, some colleges and universities place a distinct emphasis on servant leadership in academic training,[3] and many religious congregations and organizations also place a heavy emphasis on servant leadership.[4] Nevertheless, the trend of continued research on servant leadership is still emerging. The growth of servant leadership in practice can be attributed to continued work by organizations such as the Greenleaf Center for Servant Leadership,[5] continued academic research, and written works from the popular press. In addition, leadership consultants and intraorganizational training programs that educate individuals and groups also provide a way for the diffusion of the servant leadership concept among practitioners, which largely makes up for the lack of work done by academicians.

The Future of Servant Leadership in Nonprofit Organizations

What does the future hold for the concept of servant leadership as it pertains to nonprofit organizations? The seemingly absent research on servant leadership within nonprofit organizations should be of some concern. More than anything, it presents an opportunity to expand research and practice in servant leadership in an area many see as a natural fit. The caveat, however, is that servant leadership is not necessarily the natural leadership style for many individuals, nor is it the best practice for every organization. Like many situations in organizations, a contingency or situational approach—where one seeks ways to meet the needs of different management situations based on environmental factors—may be best. Different situations may require different approaches to leadership at different times. The concept of servant leadership seems reasonably relevant to the many nonprofit organizations that have a human services focus. In fact, many of them embody servant leadership. Nonprofit organizations that have a central mission focused on social responsibility seem to be a logical fit, as Greenleaf (1977, 1978) placed heavy emphasis on social responsibility in his original concept of servant leadership. Nevertheless, this theory of leadership merits further exploration within the nonprofit sector, as do the following theories: transformational and transactional leadership.

Transformational and Transactional Leadership

Transformational leadership and transactional leadership, like the theory of servant leadership, can be directly applied to the context of nonprofit and socially beneficial organizations. In the preceding section, servant leadership was defined as the commitment from a leader to serve others rather than pursuing his or her own self-interest. The theory posits that service to followers is the paramount responsibility of leaders and the "essence of ethical leadership" (Yukl, 2006) and that servant-leaders are those who attend to the needs of their followers, help them become more willing to accept the responsibilities entrusted to them, and often learn about their followers' needs and are willing to share in their difficulties and frustrations (Schermerhorn et al., 2008; Yukl, 2006). Transformational and transactional leadership, however, vary in approach from the concept of servant leadership as illustrated in Table 40.1. Although transformational and transactional leadership are different from each other, they are often described in tandem because transactional leadership often extends into transformational leadership. This section will explain the two theories through a review of previous literature on the subject and will conclude with a discussion on their relation to nonprofit organizations.

Transitioning to Transformational and Transactional Leadership

Rainey (2003) credits political scientist, James McGregor Burns (1978), as one of the first social scientists to develop the distinguishing characteristics of transformational and transactional leadership. Bernard Bass (1985b, 1998), an academician trained in industrial psychology who was influenced by Burns and by Robert House's theory of charismatic leadership,[6] is largely credited with further developing and influencing the theory of transformational leadership (Rainey, 2003; Miner, 2005; Schermerhorn et al., 2008;

	Servant Leadership	*Transformational Leadership*
Nature of theory	Normative	Normative
Role of leader	To serve followers	To inspire followers to pursue organizational goals
Role of follower	To become wiser, freer, and more autonomous	To pursue organizational goals
Moral component	Explicit	Unspecified
Outcomes expected	Follower satisfaction, development, and commitment to service and societal betterment	Goal congruence; increased effort, satisfaction, and productivity; organizational gain
Individual level	Desire to serve	Desire to lead
Interpersonal level	Leader serves followers	Leader inspires followers
Group level	Leader serves group to meet member needs	Leader unites group to pursue group goals
Organizational level	Leader prepares organization to serve community	Leader inspires followers to pursue organizational goals
Societal level	Leader leaves a positive legacy for the betterment of society	Leader inspires society to pursue articulated goals

Table 40.1 Comparison of Servant Leadership and Transformational Leadership Theories

SOURCE: Adapted from Barbuto and Wheeler, 2006.

Yukl, 2006). Anheier (2005) offers concise definitions for both transformational and transactional leadership:

> *Transformational leadership* involves the motivation of employees and members to perform normal expectations for meeting the organization's mission and for achieving organi zational goals. It inspires staff and members to put aside per sonal self interest for the common good of the organization and to have confidence in their ability to achieve the "extra ordinary" challenges before them.
>
> *Transactional leadership* is about maintaining an align ment between the organization's mission and goals on the one hand, and the motivation and interests of employees and members in achieving set objectives on the other. (p. 163)

Transactional leadership, in concept, involves leader-follower exchanges necessary for achieving specific or routine performance mutually agreed on by leaders and followers (Schermerhorn et al., 2008). As the name implies, there is somewhat of a quid pro quo involved in this theory. Leaders often promise certain rewards or actions in exchange for something from their followers, usually completion of a task, high performance, or essentially whatever terms the leader and follower agree on. Denhardt, Denhardt, and Aristigueta (2002) capture quite succinctly how transactional leadership parlays into transformational leadership:

> Transactional leadership . . . involves an exchange of valued things (e.g., economic, political, psychological) between ini tiators and respondents. For example, a political leader might agree to support a particular policy in exchange for votes in the next election. . . . In the case of transactional leader ship, the two parties come together in a relationship that advances the interests of both, but there is no deep or enduring link between them. Transformational leadership, on the other hand, occurs when leaders and followers engage with one another in such a way that they raise one another to higher levels or morality and motivation. Although the leaders and followers initially might come together out of the pursuit of their own interests or because the leader recognized some spe cial potential in the followers, as the relationship evolves, their interests become fused into mutual support for common purposes. (pp. 200 201)

Schermerhorn and colleagues (2008, p. 258) cite four dimensions of leader-follower exchanges or behaviors as they involve transactional leadership:

1. *Contingent rewards.* Various kinds of rewards in exchange for mutually agreed upon goal accomplishments.
2. *Active management by exception.* Involves watching for deviations from organizational rules and standards and taking corrective action.
3. *Passive management by exception.* Requires intervening only if standards are not met.
4. *Laissez faire.* Involves giving up responsibilities and avoiding decisions.

Tichy and Ulrich (1984) issued their "call for the transformational leader" in response to a declining economy:

> A new brand of leadership is necessary. Instead of managers who continue to move organizations along historical tracks, the new leaders must transform the organizations and head them down new tracks. . . . We call these new leaders transfor mational leaders, for they must create something new out of something old: out of an old vision, they must develop and communicate a new vision and get others not only to see the vision but also commit themselves to it. Where transactional managers make only minor adjustments in the organization's mission, structure, and human resource management, transfor mational leaders not only make changes in these three areas but they also evoke fundamental changes in the basic political and cultural systems of the organization. The revamping of the political and cultural systems is what most distinguishes the transformational leader from the transactional one. (p. 59)

According to Yukl (2006), Bass (1985b) positioned transformational and transactional leadership as distinct, but not mutually exclusive processes. Transformational leadership increases follower motivation and performance in more ways than transactional leadership, however, effective leaders employ both types. Rainey (2003), discussing Bass's (1985b, 1998) work on the Multifactor Leadership Questionnaire (MLQ) and based on that work, lists the following behaviors associated with transformational leadership (p. 204):

1. *Idealized influence.* Arouses followers' emotional attachment to the leader and identification with him or her.
2. *Intellectual stimulation.* Engages followers in recognizing and confronting challenges, and in viewing challenges from new perspectives.
3. *Individualized consideration.* Provides support, encouragement and coaching.
4. *Inspirational motivation.* Communicates an appealing vision, using symbols to focus efforts, and modeling appropriate behaviors.

Transformational and Transactional Leadership in Nonprofit Organizations

To date, research on transformational and transactional leadership with direct implications for nonprofit organizations has been relatively scarce. A handful of researchers and practitioners, nevertheless, have produced some noteworthy works that should be given due attention. Anheier (2005) states that the transactional and transformational leadership types suggest a connection between the organizational life cycle and leadership. He cites Nanus and Dobbs (1999) and their suggestions for what nonprofit leaders need to focus on (Anheier, 2005, p. 163):

1. Internal organizational aspects, in particular the board, staff, volunteers, members, and users that the leader has to inspire, encourage, and unite behind a common mission

2. External organizational aspects, in particular donors, policy makers, the media, and other constituencies whose support the leader needs for financial resources and legitimacy
3. Present operations such as organizational performance and service quality, demand, information flows, organizational conflicts and motivation, and community support
4. Future possibilities, where the leader addresses questions of sustainability and potential threats and opportunities that may have important implications for the organization and its direction

Riggio, Bass, and Orr (2004) wrote that the essence of transformational leadership is the leader who does not just inspire commitment to a vision or cause but also develops or "transforms" followers to reach their highest potential and to take on the responsibilities of leading the organization to achieving its mission, which makes the theory "a particularly appropriate one" for nonprofit organizations. As it was with servant leadership, there has been little research—empirical or otherwise—on transformational leadership in nonprofit organizations. Riggio and colleagues (2004) highlight this, particularly in contrast to the significant research that has investigated transformational leadership in for-profit companies, the government, the military, and educational institutions (Bass, 1998).

To illustrate this, they cite a study by Egan, Sarros, and Santora (1995) that compares two CEOs of nonprofit organizations with two CEOs from "similarly sized" private, for-profit organizations. The authors claim that nonprofit organizations should be more conducive to transformational leadership, however, results showed no significant differences among the executives (Egan et al., 1995). The sample size of only four, however, compromises the validity of the study (Riggio et al., 2004). While the design of this chapter is not to advocate one type of methodology over another, the sample size of four perhaps presents a better opportunity to study subjects in-depth for a case study, whereas an empirical research study with a larger sample would allow hypothesis testing to show greater potential variance; moreover, means tests may be able to show whether or not there is indeed a difference between private and nonprofit transactional leadership styles. Riggio and colleagues (2004) also cited a study by Egri and Herman (2000) in which 33 nonprofit leaders were compared to 38 leaders in private for-profit companies in the United States and Canada. All of the organizations were environmental organizations that provided similar services or products. Although transformational leadership was significant among all environmental organizations, there were no significant differences between private for-profit and nonprofit organizations. Overall results, however, indicated that nonprofits were more receptive to the idea than their for-profit counterparts (Egri & Herman, 2000; Riggio et al., 2004).

Dym and Hutson (2005) cited Gandhi, Martin Luther King Jr., Winston Churchill, and Franklin D. Roosevelt as transformative and visionary leaders whose leadership "was based on ethical and national ideals and communicated in brilliant rhetoric and through acts of individual courage" (p. 42). These leaders, the authors claimed, embodied their message in ways that magnified their credibility and attractiveness. "What is more, they had an intuitive grasp of what their followers would and could do, a strategic empathy, if you will" (p. 42). Dym and Hutson claim that transformational leadership is "aligned" leadership in two important ways:

> First, although the focus is not on relationship, transforma tional leadership is based on relationship. Leaders cannot per suade in such powerful ways without a powerful, explicit or implicit relationship with followers. Second, the notion of transformation is itself a form of alignment. It generally builds through virtuous cycles. The leader proposes actions in ways that catch the imagination of followers. As followers begin to join the leader, she is encouraged and makes further bolder proposals, which further capture the imagination of followers, who come on board with greater number and enthusiasm, which spurs the leader to further, . . . and so it goes. While this virtual cycle is enacted, a seamless and unselfconscious bond builds between leaders and followers. Their every action seems aligned to each other and to their objectives. (pp. 42 43)

Jaskyte (2004), in one of the few research articles addressing transformational leadership in human services organizations, examined this leadership context as it relates to organizational culture and organizational innovativeness. Her research shows that positive relationships exist among transformational leadership, organizational values, and the degree of agreement among employees on those values (otherwise known as "cultural consensus"). She concluded that examining linkages between transformational leadership and organizational culture is critical to understanding the relation between leadership and innovation; her results indicated that transformational leadership may not be related to organizational innovation. In fact, the relationships in her study indicate that leadership practices carried out in the sample created strong cultural consensus around values that may actually hinder innovation.

Perceived Weaknesses of Transformational Leadership

Yukl (1999) stated that the concept of transformational leadership provides several important insights, but several conceptual weaknesses need to be corrected to make the theory more useful. These criticisms of transformational leadership are not offered here to refute the theory by any means: It is a valid theory in numerous situations and is applicable to a variety of settings. Rather, they are offered to give a more holistic view in terms of understanding the theory. Yukl (1999) illustrates the criticisms in eight main points:

1. *Ambiguity about underlying influence processes.* The influence processes for transformational and transactional leadership are vague and have not been studied in a systematic way. "The theory would be stronger if the essential influence processes were identified more clearly

and used to explain how each type of behavior affects each type of mediating variable and outcome" (Yukl, 1999, p. 287). Influence processes mentioned by Yukl include the arousal of motives or emotions, increased self-efficacy or optimism, and increased task commitment.

2. *Overemphasis on dyadic processes.* "Most theories of transformational leadership are conceptualized primarily at the dyadic level. The major interest is to explain a leader's direct influence over individual followers, not leader influence on group or organizational processes. . . . How leaders influence these group processes is not explained very well by the transformational leadership theories" (Yukl, 1999, pp. 287–288). Yukl gives examples of relevant group processes: how well work is organized to use personnel and resources; how well interrelated group activities are coordinated; mutual trust and cooperation among members; and member confidence in the capacity of the group to attain its objectives.

3. *Ambiguity about transformational behaviors.* Specific types of transformational behavior are usually based on the inductive process of factor analysis. Yukl (1999) claims that the theoretical rationale for differentiating among behaviors is not clearly explained. "Developing includes coaching and mentoring. Supporting includes being friendly, helpful, considerate, and appreciative of individual subordinates. It is reasonable to treat developing as a core transformational behavior, because it enhances subordinates skills and self-efficacy. However, there does not seem to be a good rationale to include supporting as a core transformational behavior; . . . there is ample research to show that it increases satisfaction with the leader . . . but has only a weak effect on subordinate motivation or performance" (p. 288).

4. *Ambiguity about transactional leadership.* Yukl (1999) claims that transactional leadership theory fails to make a strong linkage between the process of leader-subordinate exchange and each transactional behavior. "Instead, transactional leadership includes a diverse collection of (mostly ineffective) leader behaviors that lack any clear common denominator. Contingent reward behavior includes things that are clearly involved in an impersonal exchange process (e.g., explaining reward contingencies, offering incentives, rewarding good performance). However, contingent reward behavior also includes providing recognition to subordinates. . . . Providing praise and recognition is usually more personal and may involve transformational leadership as well as transactional leadership" (p. 289).

5. *Omission of important behaviors.* Yukl (1999) claims that Bass (1990, 1996) omits important transformational behaviors in his version of the theory. These missing behaviors, Yukl states, can be identified by examining other theories and research on effective leadership, some of which include "facilitating agreement about objectives and strategies, facilitating mutual trust and cooperation, and building group identification and collective efficacy. . . . The core transformational behaviors should probably include articulating a vision and strategy for the organization, guiding and facilitating change, and promoting organizational learning" (p. 290). Yukl is especially critical of Bass's (1996) use of the label "full range leadership theory" and notes that it invites critical evaluation of completeness.

6. *Insufficient specification of situational variables.* One criticism that is fairly apparent is that Bass (1996) proposes that transformational leadership is beneficial for followers and their organization, regardless of the situation at hand. This is clearly untrue. Yukl (1999) offers another criticism here and writes that the "search for situational moderator variables may be more successful if directed at specific types of transformational behavior. Even if there is always some type of transformational behavior that is relevant for effective leadership, not every type of transformational behavior will be relevant in every situation" (p. 291).

7. *Insufficient identification of negative effects.* This criticism deals mostly with the fact that the theory does not offer room for criticism of itself—there is no explicit part of the theory that identifies a situation where transformational leadership is "detrimental." Yukl (1999) cites several researchers who point to potentially negative elements of transformational leadership. For example, the role of leadership in increasing task motivation and performance can be biased toward top management at the expense of employees. Furthermore, role ambiguity and role conflict can be heightened by different leaders with competing visions. Yukl calls for more research in terms of the potential negative outcomes related to transformational leadership.

8. *Heroic leadership bias.* Yukl (1999) claims that, like most other earlier leadership theories, the transformational leadership theories reflect the "implicit assumptions associated with the 'heroic leadership' bias" (p. 292). Yukl further states, "When a correlation is found between transformational leadership and subordinate commitment or performance, the results are interpreted as showing that the leader influenced subordinates to perform better. There is little interest in describing reciprocal influence processes or shared leadership. Researchers study how leaders motivate followers of overcome their resistance, not how leaders encourage followers to challenge the leader's vision or develop a better one" (p. 292).

Despite these criticisms of transformational leadership, numerous elements of the theory are highly applicable to nonprofit organizations merit further research on transformational leadership in the specific nonprofit context. Riggio and colleagues (2004) call for more research on the role of transformational leaders in nonprofit organizations. "One obvious reason is that for-profit organizations, with their large numbers of employees, easy access to leadership consultants, and large leadership development budgets, are more likely venues for scholars to study transformational leadership quantitatively" (Riggio et al., 2004, p. 54). These authors also make claim to a shortage of qualitative research on transformational leadership to better explore the fit between transformational leadership and the nonprofit world. Furthermore, studies that highlight whether or not transformational leadership varies based on sector (i.e., public, private, nonprofit) may also yield interesting results that could potentially enhance the theory.

Summary

Of the multitudinous theories on leadership, those few presented here—servant leadership and transactional and transformational leadership—can be highly relevant to the operations of nonprofit organizations and may eventually play a role in either the success or demise of these organizations. The central belief surrounding the concept of servant leadership as put forth by Greenleaf was that business organizations should create a positive impact on the organization's employees and throughout the surrounding community (Schermerhorn, et al., 2008). This is an ideal that is upheld by countless nonprofit organizations (along with many organizations in the public and private sector as well). Despite this often unifying theme across nonprofit organizations, some resources that are common in private businesses or government agencies (i.e., sustained streams of funding, large employee base, benefits and other incentives, etc.) are lacking in nonprofit organizations. In these cases, servant leadership behaviors, as well as the behaviors related to transactional and transformational leadership, are often subsequently related to sustainable and successful nonprofit organizations. The sometimes amorphous term *nonprofit* can make it difficult to assess these behaviors. A small, community-based social benefit organization with a mission to end homelessness may significantly differ from a wealthy national foundation with a large staff in terms of many of the aforementioned resources and leadership behaviors. Various other differences exist among nonprofit organizations based on environmental factors and organizational mission. These are but a few of the reasons the concepts of servant, transactional, and transformational leadership remain important to these organizations. Furthermore, this reinforces the call for further research on these leadership behaviors with specific application to nonprofit organizations.

Next Steps: Assessing Your Leadership Potential

As you ponder what you have learned in this chapter, I hope you have asked yourself on more than one occasion, What kind of leader am I? The information on leadership provided here is clearly not exhaustive as the various typologies and techniques that individuals employ in directing the efforts of their organizations are exceptionally numerous. However, practices involving servant leadership and transactional and transformational leadership are clearly on the rise. Old methods of leadership that are dated and ill-suited for the ever-changing nature of 21st-century nonprofit organizations are being set aside for newer, more innovative, groundbreaking techniques. The vitality of many nonprofit organizations is tied to leaders' ability to thoughtfully guide them through times both prosperous and turbulent. Tactics of servant and transformational leadership, as well as many other types of leadership, are becoming increasingly important in nonprofit organizations.

Individuals carry with them a variety of abilities and talents when it comes to leadership. Some will argue that leaders are born, whereas others will assert that leaders can be "made." Regardless of your position, you have the capacity to be a leader. Regarding these specific instances of servant leadership and transformational leadership, readers should take inventory of their leadership qualities by asking a series of questions:

- What motivates you to lead?
- Who are the exemplars of leadership you aspire to emulate?
- What are your strengths as a leader?
- What aspects of leadership can you improve?
- What traits of servant leadership do you exemplify?
- What traits of transactional and/or transformational leadership do you exemplify?
- In what areas of your life can you further display your leadership talents?
- How can you help foster or cultivate leadership in others?

These questions should help form the basis for your leadership inventory, and you should add additional questions that are more relevant to you and your personal goals. Write them down along with answers, look at them often, and change them as needed, or you can create some sort of visual reminder to help keep these questions fresh in your mind. Seek constructive feedback from your peers, trusted mentors, and those you lead. Set goals that pertain to your development as a leader, and on occasion, reexamine your strengths and areas you might need to improve. They may change over time, but a constant cognition focused on your qualities and attributes will continue to strengthen your overall potential and effectiveness as a leader.

Notes

1. For extensive literature reviews on servant leadership, see Russell and Stone (2002) and Barbuto and Wheeler (2006).
2. The descriptions of these characteristics are paraphrased from Spears (2004).
3. For example, see Viterbo University's Master of Arts in Servant Leadership (http://www.viterbo.edu/sl).
4. For example, see The Servant Leadership School of Greensboro, NC (http://www.servantleadergreensboro.com).
5. See http://www.greenleaf.org.
6. Charismatic leadership refers to "personal characteristics of leaders that inspire in others pride, faith, identification, dedication, and commitment and a willingness to follow directives and accept decisions" (Anheier, 2005, p. 162). For a more detailed description of charismatic leadership in organizational settings see Boal and Bryson (1988), Conger and Kanungo (1987, 1998), and Conger (1989).

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41

Leading Volunteers in Nonprofit Organizations

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Over the past two decades, considerable progress has been made in the development of national and community service volunteer programs. At the federal level, George H. W. Bush signed into law the National and Community Service Volunteer Act of 1990 (P. L. 101–610). The act established the White House Office of National Service, the Points of Light Foundation, and the Commission for National and Community Service. Three years later, the National and Community Service Trust Act (P. L. 206–170) became law under the leadership of Bill Clinton. The newly named *Corporation* for National & Community Service was directed to manage several volunteer and national service initiatives under three broad program categories: Senior Corps, AmeriCorps, and Learn and Serve America. In 2002, George W. Bush established USA Freedom Corps, the White House's response to the president's call to service for all Americans to devote the equivalent of 2 years of their lives to service and volunteerism. The support for volunteerism and service is likely to grow. In his first address to a joint session of Congress, President Barack Obama called for a "renewed spirit of national service for this and future generations" and quickly followed up on this pledge by proposing one of the most significant expansions of national service since the Kennedy administration (Herszenhorn, 2009).

These federal initiatives build on the ethos of volunteerism and service famously chronicled by Alexis de Tocqueville in the early 1800s as he observed a nation of joiners, eager to freely associate and work for the common good. It was not, however, until the later part of the 1960s that concerted effort emerged to conceptualize volunteers as a *workforce.* Although the first national count of Americans as volunteers was released in 1971, more attention has been given to tracking volunteers over the last 20 years. The Independent Sector, an organization that advocates for nonprofit organizations and philanthropy in general, surveyed volunteering and giving behaviors of Americans throughout the 1990s. Since the year 2000, the Corporation for National & Community Service has commissioned the Census Bureau to track these phenomena. In 2007, nearly 61 million Americans volunteered, giving more than 8.1 billion hours of service, a contribution of time valued at $158 billion to American communities (Musick & Wilson, 2008; see also Corporation for National & Community Service, 2009). As the nonprofit sector formalized and professional organizations congealed and strengthened throughout the remainder of the 20th century, organizations counted volunteers as critical assets in their efforts to address social, civic, and safety concerns of all types.

Despite enthusiasm for such initiatives, assessing the quality of volunteer service programs, both nationally and locally, remains a challenge. Numerous measurement tools are available to conduct organizational assessments (Herman & Renz, 1998; Shilbury & Moore, 2006), but few can be used to determine the quality of the volunteer service dimension of organizational operations. Existing tools have not been scientifically tested for reliability and validity, nor have they been designed to accommodate or account for the presence of a volunteer workforce.

In 2004, the Corporation for National & Community Service—via a contract with Education, Training, and Research (ETR) Associates—commissioned researchers at the University of Texas at Austin to develop a valid, reliable, and efficient tool for program managers to conduct self-assessments of their national and/or community service volunteer programs. Based on the results of such an assessment, organizations could undertake efforts to strengthen the infrastructure associated with volunteer and national service programs. The Corporation for National & Community Service envisioned linking web-based services to such a tool and providing training and technical assistance services to specific objectives derived from such an assessment. Although experts had long recognized the need for better assessment tools in volunteerism (Flynn & Hodgkinson, 2001; Hall, Phillips, Meillat, & Pickering, 2003; Herman & Renz, 1998; Inglis & Cleave, 2006; Poole, Nelson, Carnahan, Chepenick, & Tubiak, 2000), this project was the first systematic effort to advance measurement in the field of volunteerism beyond traditional practice. Evaluation research dictates that such instruments be reliable, valid, and sensitive to change (Kanji, 2002). For practical use, they should also be user friendly, relatively brief, easy to score, and relevant to the program type (Royce & Thyer, 1996).

This chapter briefly overviews the scientific procedures used to design and test the instrument, herein referred to as Volunteer Program Assessment Tool (VPAT). The complexity of volunteer initiatives within service organizations is described in a graph that emerged from the research. The chapter then presents the assessment instrument, which is available to readers at the Lyndon B. Johnson School of Public Affairs' RGK Center of Philanthropy and Community Service website (http://www.utexas.edu/lbj/rgk/myimprovementplan/selfassessment 36item.html), and describes ways in which the tool may be of value in designing and strengthening programs that rely on volunteers and national service members as agents of change and service delivery.

For purposes of discussion, it should be noted that community volunteers and national service participants are grouped together. Not only is there significant overlap between the two populations, but both groups serve voluntarily, and compensation when provided is significantly below market value. Hereafter, community volunteer initiatives and national service programs in diverse organizational settings will be referred to as *volunteer programs*.

Assessing Service Initiatives: A Complex Environment

Terminology

Since its inception, the corporation has managed three main streams of service: (1) *Senior Corp*s, which incorporates the long-standing Foster Grandparents, Retired and Senior Volunteer (RSVP), and Senior Companion Programs, (2) *AmeriCorps*, the more recently established initiative, which integrates the long-standing Volunteers in Service to America (VISTA), the new National Civilian Community Corps programs, and the full-time AmeriCorps demonstration program that had been established under the 1990 act, and (3) *Learn and Serve America*, formerly known as Serve America. *Learn and Serve America* encompasses service-learning initiatives that engage students at all educational levels in service work designed to enhance and augment curriculum objectives. Students engaged in service-learning initiatives are considered volunteers for the purposes of this discussion. These three service streams, along with the legions of private community volunteers, represent the collective national service and community volunteer enterprise (Rehnborg, 2005).

Although VPAT was chiefly developed for federal grantees that operate service programs within the three service streams, the tool is useful to local nonprofit organizations and public agencies that engage volunteers. Because of its rigorous construction methodology, the tool can assist nonprofit managers as they self-assess the overall functioning of their community service initiatives.

Although numerous assessment tools and program audits are available to assess volunteer and national service programs, none of the existing tools is empirically based. To create a valid, reliable tool designed to help shape practice and guide program development, the authors constructed a multitiered, mixed-methods approach to the development of the VPAT.

Methodology

Following an extensive review of the literature and a comprehensive analysis of existing assessment tools, the team employed Concept Mapping, a software program developed by Trochim (1989), which allows researchers to statistically analyze qualitative focus group data through rigorous quantitative methods. This software system employs multivariate statistical techniques of multidimensional scaling and hierarchical cluster analysis and translates this complex qualitative data into a pictorial form, or map. The findings from this stage of the tool development will be discussed at greater length later in this chapter.

Based on the outcomes of the Concept Mapping system, the team distilled the data into an initial draft of an assessment instrument. The draft assessment instrument was shared with numerous focus groups of subject-matter experts, as well as experienced program leaders, the type of people who would be among the tool's target audience. These groups reviewed the wording of the instrument and assisted the research team as it sought to refine and hone the assessment instrument.

Once the instrument was sufficiently refined, it was pilot-tested using a stratified random sample of 1,187 national service and community volunteer program managers. To meet the minimum requirements for sample size and ensure adequate statistical power for the planned psychometric analyses, the national sampling frame was stratified by five subgroups: AmeriCorps, AmeriCorps VISTA, Senior Corps, Learn and Serve, and community-based volunteer leaders. An invitation to participate in the VPAT research project was sent via e-mail to all program managers within the national sampling frame. During the 3-week time period set for data collection, 239 complete responses were gathered, representing 20% of the overall sample. The first 103 respondents were also asked to complete an additional research instrument for criterion-related validity testing; 41 complete responses to this second instrument were received. With the exception of Learn and Serve, all of the subgroups had an adequate number of responses for subgroup analyses.

To assure internal consistency reliability, the researchers used the Cronbach's (1951) coefficient alpha method. The results of this analysis indicated similar patterns of internal consistency within four of the five subgroups of our sample: AmeriCorps, VISTA, Senior Corps, and community-based groups. (The small sample size for the Learn and Serve programs precluded separate psychometric testing.) The alphas demonstrate that the VPAT scales are, in effect, equally reliable for a general population and for each of the four subgroups. This supports the idea that the scales contain little or no bias relative to these groups. Comparable analysis was performed to examine the content, criterion-related, and construct validity for each subgroup.

Using a tool developed by The Colorado Trust (2002), the researchers assured criterion-related validity with resultant coefficients in the upper moderate-to-large range. The data was also subjected to psychometric measures to assure construct validity, or the degree to which the instrument measures the concepts it purports to measure. Collectively, the results of the various tests to which the findings were subjected provide strong evidence that the VPAT scales are valid indicators of overall programmatic functioning. For a comprehensive overview of the development of the tool and the psychometric testing to which it was subjected, go to http://www.utexas.edu/lbj/rgk/research/past.php.

Understanding Volunteerism Within an Organizational Context

Concept Mapping as an Organizational Process

To develop an assessment tool that captures the complexity of engaging volunteers and national service members in organizations, the research team turned to Concept Mapping, the software system that converts qualitative focus group information into quantitative data. To fulfill the requirements necessary to use this methodology, two focus groups were convened simultaneously. One focus group included leaders of the national service programs delineated above while the other was composed of leaders from community-based volunteer initiatives. Both groups were asked to identify the observable indicators of a "well-managed program/project using volunteers or national service participants" (Concept Systems, Inc., 2003).

With 44 focus group members split between the two groups, it took more than 2 hours to collect all of the observable indicators. After the focus groups, the researchers compared the two sets of indicators and culled duplicated items. In all, 128 separate observable indicators emerged from the discussions. The second step of the Concept Mapping process asked the focus group participants to sort, organize, prioritize, and name the indicators by placing each of the 128 concepts into groups of ideas that fit well together. This information was then entered into the Concept Mapping software program.

The multistage analysis process produces pictorial and graphic representations as it organizes the focus group information. As seen in Figure 41.1, the software program generates graphic pictorial representations of indicators and uses the names most frequently given to the indicators by participants to organize and identify meaningful clusters of data. Examined holistically, this map served as the basis both for organizing the assessment instrument and for examining the complexity of the organizational processes involved in working effectively with volunteers and national service participants.

When groups and organizations decide to involve volunteers in their work, they think about what needs to be done, where to find volunteers to do it, and how to bring them into the organization. When a volunteer program grows in size, organizations may assign someone to work with the volunteers, often calling this person a coordinator of volunteers. This person is then assigned the tasks associated with organizing the volunteers or national service participants, preparing them for work, and overseeing the effort.

Figure 41.1, however, is a clear testimony to the broader scope of the work actually involved in volunteer initiatives. The observations of the focus group participants as codified through Concept Mapping tell us that well-managed programs include: an infrastructure for the effort; skills in marketing and communications as well as staffing and development; the capacity to involve the community as well as build partnerships and collaborations; a certain level of expertise in financial management along with program accountability; the informed involvement of boards and advisory leaders; an organizational culture conducive to community engagement; and skills in both volunteer administration and engagement. These conceptual areas, which shed light on the complexity of volunteer engagement, became the building blocks for the assessment tool.

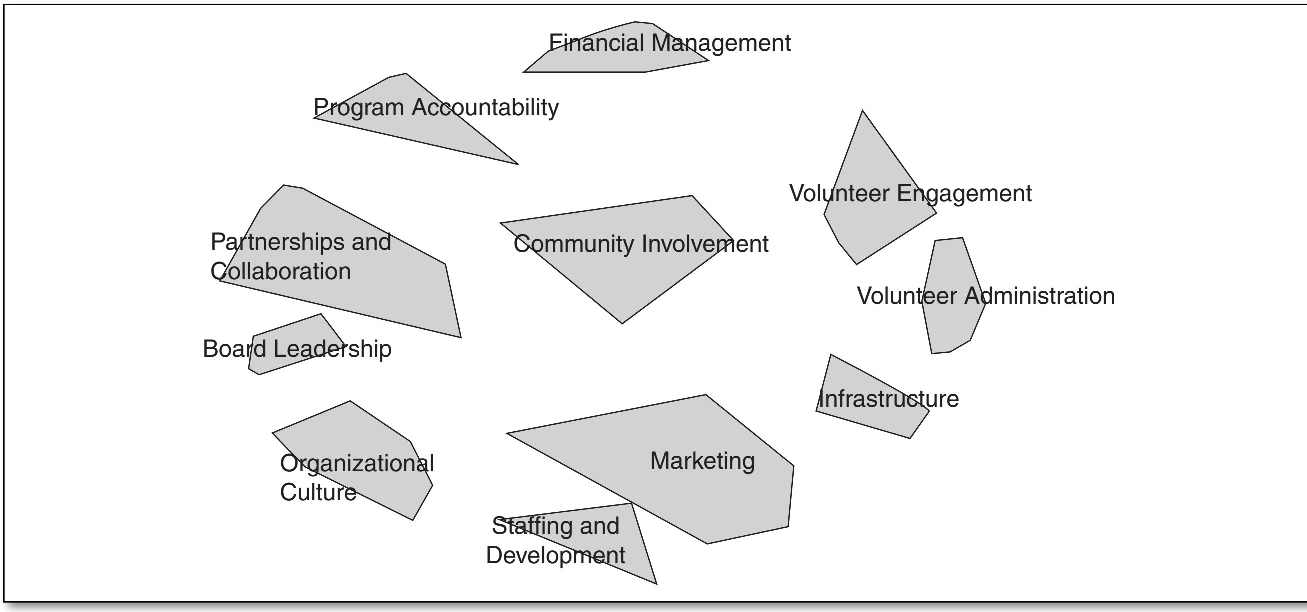

Figure 41.1 11-Cluster Solution

SOURCE: S. J. Rehnborg, D. L. Poole, K. Casey, D. W. Duvall, and L. F. Mangrum, *Tool for Improving Programs: A National Quality Assessment Project for National and Community Service Programs,* unpublished manuscript, University of Texas at Austin, 2004.

After a comprehensive process of refinement, piloting, and statistical analysis, the VPAT included 10 cluster areas of work for the organization that desires to effectively engage volunteers. This chapter will review each of these areas.

Volunteer Involvement: A Multidimensional Organizational Process

Volunteer Management

The initial focus group information from Concept Mapping identified two clusters of tasks that pertained to the skills and attributes generally associated with volunteer management: volunteer engagement and volunteer administration (see Figure 41.1). Volunteer administration generally captured the preliminary aspects of volunteer involvement such as work identification, job description development, and tasks associated with bringing a volunteer or national service participant into the organization. Volunteer engagement, on the other hand, focused more on the person doing the work. This cluster of skills captured tasks such as those associated with job preparation, support, and assessment of work performed. These two clusters corresponded loosely with the tasks associated with a human resources officer, who brings a new employee into an organization (volunteer administration), and the somewhat separate tasks associated with the work of an employee's supervisor (volunteer engagement). As the assessment instrument was subjected to pilot-testing and psychometric analysis, however, we learned that collapsing these two categories into one larger domain of volunteer management was statistically justifiable and intuitively more accurate for the responder. Table 41.1 lists all of the tasks associated with this broader area of work.

Organizations that effectively engage volunteers and national service participants think carefully about the work that will be performed by community members, prepare job descriptions to capture these expectations, and provide staff support to prepare and support volunteers. These programs also provide the orientation materials necessary to engage the person in the work of the organization, evaluate job performance, and make certain to thank people for the work performed. Table 41.1 also captures the fact that it is important to thank staff (Item 40) as well as volunteers. While virtually every item in this list applies equally to volunteers and national service participants, Item 41 serves as an exception. One of the goals of AmeriCorps and AmeriCorps VISTA is to create an ethos of citizenship. As such, Item 41 asks organizations about the work they are doing to follow up with their national service participants to assure their long-term civic involvement.

Infrastructure

Less visible but equally important to a well-run, effective program is the infrastructure developed to support the initiative. Table 41.2 captures many of the less obvious, background requirements for a good volunteer program. Like regular salaried staff, volunteers need a place to do their work, equipment and technology to perform the tasks at hand, and methods for internal and external communication. In addition, program leadership needs to maintain accurate records and contact information, back up these records, and take advantage of up-to-date, multifunctional

1. Our program creates service placements based on needs assessments.
2. Our program clearly defines *volunteer* roles and responsibilities.
3. Our program provides written position descriptions (duties, skills, qualifications, performance measures) for all *volunteers.*
4. Our program provides written position descriptions (duties, skills, qualifications, performance measures) for all staff.
5. Our program uses the abilities of *volunteers* effectively.
6. Our program respects the time commitments of *volunteers*.
7. Our program offers *volunteer* opportunities at different levels of responsibility or intensity.
8. Our program creates new *volunteer* opportunities as necessary.
9. Our program offers service opportunities to meet the needs of diverse audiences.
10. Our program creates opportunities for service recipients to become involved as *volunteers.*
11. Our program employees and *volunteers* understand each other's roles and responsibilities.
12. Our program receives continuous inquiries from persons interested in joining our program.
13. Our program interviews *volunteers.*
14. Our program screens *volunteers*.
15. Our program matches *volunteers'* skills, knowledge, attitudes, and interests with appropriate placement sites.
16. Our program provides appropriate accommodation for *volunteers* with special needs.
17. Our program promotes diversity in the work environment, including accessibility to people with disabilities.
18. Our program periodically reviews *volunteers* to determine if their personalities, skills, abilities, and interests are being appropriately utilized.
19. Our program offers career paths to sustain *volunteer* interests.
20. Our program provides leadership development opportunities for *volunteers.*
21. Our program has many *volunteers* capable of assuming leadership roles.
22. Our program has a comprehensive *volunteer* handbook.
23. Our program provides an orientation for all *volunteers* for their service opportunity.
24. Our program demonstrates an awareness of diversity during in-service training, celebrations, and other organizational functions.
25. Our program has an ongoing support system for *volunteers* once they are placed.
26. Our program provides clear lines of *volunteer* supervision.
27. Our program leaders provide *volunteers* clear feedback on their work.
28. Our program supervises and supports off-site *volunteers.*
29. Our program has grievance and termination procedures to address *volunteer* performance problems.
30. Our program monitors *volunteer* retention and assesses the reasons for any unexpected turnover.
31. Program *volunteers* remain with us until they fulfill their original commitment or longer.
32. Our program *volunteers* evaluate their involvement and provide feedback to the organization.
33. Our program engages *volunteers* for regular input on program operations.

Table 41.1 Volunteer Management

34. Our program *volunteers* are treated as partners in achieving program mission and goals.
35. Our program *volunteers* regularly participate in project planning.
36. Our program *volunteers* are involved in program changes as the changes are being planned and implemented.
37. Our program thanks and recognizes *volunteers* for the work they perform.
38. Our program recognizes *volunteers* on the basis of performance.
39. Our program rewards employees who effectively engage *volunteers* in their work.
40. Our program thanks and recognizes employees for the work they perform.
41. Our program keeps *volunteers* engaged after they complete their original service assignment.
42. Our program uses tracking systems to measure *volunteer* involvement in civic activities following terms of service.

SOURCE: S. J. Rehnborg, D. L. Poole, K. Casey, D. W. Duvall, and L. F. Mangrum, *Tool for Improving Programs: A National Quality Assessment Project for National and Community Service Programs,* unpublished manuscript, University of Texas at Austin, 2004.

1. Our program administrator maintains comprehensive files and documentation on *volunteers.*
2. Our program maintains a database including *volunteer* demographics, work hours, and assignments.
3. Our program provides adequate space for *volunteers* to work.
4. Our program provides adequate equipment and supplies for *volunteers* to perform their work.
5. Our program gives *volunteers* timely feedback on their performance, questions, and concerns.
6. Our program implements effective volunteer recruitment methods, such as presentations, written materials, media events, and e-mail.
7. Our program recruitment initiatives are targeted to specific *volunteer* populations.
8. Our program *volunteers* recruit new *volunteers* for the program.
9. Our program maintains a comprehensive *volunteer* risk management plan with background checks and liability insurance.
10. Our program has access to adequate ongoing technical support and documentation.
11. Our program prevents data loss and corruption through back-up systems, virus protection, and software upgrades.
12. Our staff uses technology effectively to support the program.
13. Our employees have access to the computer hardware and software they need to do their jobs.
14. Our *volunteers* have access to the computer hardware and software they need to do their jobs.
15. Our computer systems and equipment are compatible and relatively new.
16. Our program's computers maintain Internet connections from our desktops.
17. Our employees and *volunteers* are able to use e-mail accounts as appropriate.

Table 41.2 Infrastructure

SOURCE: S. J. Rehnborg, D. L. Poole, K. Casey, D. W. Duvall, and L. F. Mangrum, *Tool for Improving Programs: A National Quality Assessment Project for National and Community Service Programs,* unpublished manuscript, University of Texas at Austin, 2004.

technology systems. Reference checks need to be tailored to the type of tasks performed, and insurance should be in place to manage risk and ensure everyone's well-being. And finally, volunteer programs are not self-perpetuating entities. Recruitment is a year-round obligation that must be planned for and implemented.

Marketing and Communication

If infrastructure is the internal glue that helps to maintain effective programs, skills in marketing and communication are essential to connecting the community volunteer initiative with the community around it (see Table 41.3). Volunteers need to know that this organization is eager to garner community assistance, and the staff and clients served by the organization need to be welcoming to community members and open to volunteer involvement. The presence of volunteers in the workforce should be a part of the organization's public relations message, a component of its annual report, a subject of discussion at board meetings, and a part of the official storyline. Ongoing marketing and communication efforts should continually note the role of the community in the work of the organization and serve as a continuous avenue for volunteer recruitment. In addition, staff should be looking for opportunities to apply for awards and citations that recognize the organization's effort to engage volunteers and national service members.

Staffing and Development

Given that the U.S. population takes pride in its voluntary spirit, many Americans think that being a volunteer equates with knowledge about how to work with volunteers. Unfortunately, this is not the case. Many staff members fear the responsibilities associated with supervising volunteers, while others are unclear about carving assignments for a part-time workforce. Still others question volunteers' skills and abilities or are concerned with inadvertently offending a community member and generating negative publicity for the organization. For these and other reasons, staffing and development emerged as a critical area of effective programming. Organizations need to prepare staff to understand the dynamics of volunteer involvement and provide insights into supervising an unpaid workforce. Although strong interpersonal skills are required, so is an understanding of the motivational needs of volunteers and the flexibility that may be required when planning special events or other assignments that involve a community workforce. In addition, staff needs to become cognizant of the lead time required to locate volunteers and prepare them for work within the organization.

Working well with volunteers, while important, is not the only expectation that accompanies a staff position in a volunteer-centric organization. Effective volunteer-involving organizations set expectations for staff to actively engage

1. Our program facilitates regular communication with **internal** stakeholders about *volunteer* value, impact, and outcomes.
2. Our program facilitates regular communication with **external** stakeholders about *volunteer* value, impact, and outcomes.
3. Our program communicates and markets effectively.
4. Our program's public relations materials include a statement on nondiscrimination and accessibility.
5. Our program's public relations materials reflect an awareness of diversity of the community.
6. Recruitment materials reflect current trends in volunteerism.
7. Our program uses the World Wide Web for effective recruitment, public relations, and marketing purposes.
8. Our program *volunteers* know who is the official spokesperson for the organization.
9. Our program staff knows who is the official spokesperson for the organization.
10. Our organization receives awards and recognition for the work it does.
11. Our program staff responds to inquiries from the media and/or public in an open and efficient manner.
12. We proactively seek to tell the program's story at every opportunity, such as calling media attention to possible connections with current news events.
13. Our organizational leadership publicly acknowledges the work of *volunteers*.

Table 41.3 Marketing and Communications

SOURCE: S. J. Rehnborg, D. L. Poole, K. Casey, D. W. Duvall, and L. F. Mangrum, *Tool for Improving Programs: A National Quality Assessment Project for National and Community Service Programs,* unpublished manuscript, University of Texas at Austin, 2004.

volunteers in the accomplishment of assigned duties. Staff understand that volunteer involvement extends beyond direct service to advisory positions, roles in advocacy, consulting capacities, or special events assistance to name just a few of the roles that community members play. Such expectations for volunteer involvement are generally part of the employee evaluation system and performance review.

To assure that an organization works effectively with volunteers and provides staff the support they need to engage this workforce, principles of good practice strongly encourage designating a staff person with volunteer management duties. A full-time point person—a staff position assigned to assuring effective volunteer involvement—is one of the most effective means of guaranteeing a well-run volunteer initiative. This person manages the record keeping associated with volunteers; operates as an organizational consultant for community involvement; oversees recruiting, interviewing, placement, and recognition of volunteers; and trouble-shoots problems. The indicators associated with preparing staff to work effectively with volunteers appear in Table 41.4.

Program Accountability

Closely aligned with preparing staff to work effectively with volunteers is clarity about the work of the organization itself. Few organizations exist solely to care for volunteers or members of national service programs. Rather, these community-based, voluntary workforces move into action to meet critical community, environmental, educational, and other needs. As such, volunteers, just like the staff with whom they work, want their efforts to be consequential. They want to know that their time is being used well and their energy is making a difference. For these reasons and others, program accountability has emerged as a critical component of the assessment instrument.

1. Our program provides a dedicated onsite supervisor or coordinator of *volunteers.*
2. Our program has a *volunteer* coordinator who understands and effectively applies the principles of volunteer management.
3. Our program has a *volunteer* coordinator who understands and effectively applies the principles of program development.
4. Our other program employees understand and effectively apply the principles of *volunteer* management.
5. Our other program employees understand and effectively apply the principles of program development.
6. Our program placement sites have a designated staff member serving as a coordinator of volunteers.
7. We have a succession plan for employee leadership in the organization.
8. We have a succession plan for *volunteer* leadership in the organization.
9. Our program trains employees to work with *volunteers.*
10. Our program assesses employee skills in working with *volunteers.*
11. Our program staff demonstrates effective interpersonal skills.
12. Our program *volunteers* are encouraged to reach their full potential.
13. Our program employees are encouraged to reach their full potential.
14. Our program provides a written training plan for all staff that addresses position-specific and personal leadership development needs.
15. Our program incorporates staff development as a management strategy.
16. Program staff is trained to manage change.
17. Our program offers a high level of training and ongoing supervision to *volunteers* or members to address the specific service area (e.g., literacy).
18. Our program employees receive feedback on performance.

Table 41.4 Staffing and Development

SOURCE: S. J. Rehnborg, D. L. Poole, K. Casey, D. W. Duvall, and L. F. Mangrum, *Tool for Improving Programs: A National Quality Assessment Project for National and Community Service Programs,* unpublished manuscript, University of Texas at Austin, 2004.

Mission is a key motivator of volunteers. An organization with a well-defined mission statement that carefully relates work functions to mission achievement is inherently attractive to community members. Work that aligns with mission and is measurable helps everyone to feel as if his or her time and effort matters. Likewise volunteers want to be more than simply helping hands in the process. Those who make a serious investment in the outcomes of a group generally want the opportunity to have a say in the development of plans. Organizations committed to community engagement need to provide opportunities for the community to influence the planning and analysis of the effort. Table 41.5 captures some of the critical ways in which program accountability measures contribute to successful volunteer involvement.

Financial Management

The interrelatedness of organizational management issues is perhaps most clear in Table 41.6. Few would automatically equate effective community engagement initiatives with the list of criteria found in the financial management table, yet the experienced leaders of volunteer and national service programs articulated these concerns. Just as mission clarity and goal attainment (Table 41.5) are indicative of effective programs, so, too, is financial acuity. Volunteer programs, like every other component of an organization, require a budget comparable to the work to be accomplished. Volunteers are not free. National service programs operate within complex federal fiscal guidelines. Within organizational settings, volunteers serve as extensions of the organization, and their actions tie back to the management of the organization. Like other funders of an organization, volunteers want to be sure that their investment of time and energy is being made on behalf of an organization that is fiscally solvent and here for the long haul. Besides allowing for the costs associated with volunteer and national service programs, organizations engaging the community need to attend to their financial future if they are to actively and effectively compete in the volunteer marketplace for community time. In addition, the contribution of volunteers can be translated into a financial attribute for grant development and for general reporting purposes.

1. Our program has a well-defined mission statement.
2. Our program includes *volunteers* in its strategic plan.
3. Our program's strategic plan is measurable and achievable.
4. Our program's strategic plan is based on needs assessment and evaluation data.
5. Our program develops goals and objectives with input from key stakeholders such as staff, *volunteers,* clients, funders, and community partners.
6. Our program has objectives that relate to the overall mission of the sponsoring or host organization.
7. Our program uses valid and reliable evaluation tools to measure program effectiveness.
8. Our program uses outside evaluators to measure program effectiveness.
9. Our program measures the performance of staff, *volunteers,* members, board members, and program partners.
10. Program performance is measured from the perspective of *volunteers* and service recipients.
11. Our program provides opportunities for board members, employees, *volunteers,* and program participants to self-assess their effectiveness.
12. Our program provides opportunities for board members, employees, *volunteers,* and program participants to self-assess their level of satisfaction with the program.
13. Descriptive and outcome data are collected on *volunteers* and activities.
14. Our program produces an annual report that includes measurable outcomes, progress, and outreach of the program.
15. Program and agency staffing and resource capacities are considered when making decisions.
16. Our program has an impact on the community.

Table 41.5 Program Accountability

SOURCE: S. J. Rehnborg, D. L. Poole, K. Casey, D. W. Duvall, and L. F. Mangrum, *Tool for Improving Programs: A National Quality Assessment Project for National and Community Service Programs,* unpublished manuscript, University of Texas at Austin, 2004.

1. Our board or advisory committee approves and oversees the budget, including revenue generation and expenditures.
2. Our leadership ensures funding is tied to key program objectives and goals.
3. Our program produces regular financial reports for effective management.
4. Our program expends funds in accordance with budget plans and in line with board oversight.
5. Our program practices effective financial management.
6. Our program manages grants effectively.
7. Our program meets grant requirements.
8. Our program provides activities that match the criteria, purpose, and goals required by the funding source.
9. We have budgeted defined costs to facilitate *volunteer* involvement, such as staffing support, equipment, and supplies.
10. Our program allocates funds for program evaluation.
11. Our program maintains administrative overhead costs consistent with similar nonprofit programs.
12. Our program diversifies funding sources.
13. Our program has a sustainability plan that is periodically updated.
14. Our program has a contingency plan that addresses potential loss of major funding.
15. Our program staff has proposal writing skills.
16. Our program staff can navigate the complexities of funding agencies.
17. Our program has partnerships that involve shared resource commitments.
18. When appropriate, our program translates *volunteer* service hours into financial or full-time equivalents

Table 41.6 Financial Management

SOURCE: S. J. Rehnborg, D. L. Poole, K. Casey, D. W. Duvall, and L. F. Mangrum, *Tool for Improving Programs: A National Quality Assessment Project for National and Community Service Programs,* unpublished manuscript, University of Texas at Austin, 2004.

Community Collaboration, and Partnerships and Collaboration

The very essence of volunteer involvement is collaboration, a collaboration between concerned community members and the goals and objectives of the organization. Volunteers are an active representation of the organization's openness to developing community partnerships and to building local ties. The presence of volunteers, particularly volunteers representing the community that is served, signals community support, indicates a responsiveness to local concerns, and demonstrates the organization's willingness to secure input. In fact, for many organizations, volunteers are a key way in which the organization keeps its hand on the pulse of the local area served. Table 41.7 (Community Collaboration) captures criteria that indicate an orientation to teamwork in general, and Table 41.8 (Partnerships and Collaboration) reflects an orientation to working closely with area organizations and groups dedicated to similar causes or concerns. Both sets of indicators signal an organizational culture open to local involvement and focused on effective action made possible in part by close connections to the community.

Organizational Culture

Considered by some to be the flip side of the leadership coin, organizational culture is perhaps best understood as the internal and unspoken, yet clear manifestation of a climate supportive of volunteers. As the indicators suggest, an organization that genuinely supports and encourages volunteer involvement does so almost without conscious thought. Volunteers are readily introduced to coworkers and visitors with the same ease that introductions are performed for and with salaried staff. Everyone considers the implications of decisions on those who work with the organization only a few hours a week in the same way that it does for those keeping a full-time schedule. Coffee and other office amenities are available for all. In short, volunteers, AmeriCorps members, student interns, and retired seniors are all valued members of the team. The assessment criteria that describe this aspect of an organization that supports community engagement appear in Table 41.9.

Board and Advisory Leadership

The criteria enumerated for board leadership closely parallel guidelines that define the role of a nonprofit board

1. Our program has a clear understanding of the needs and assets of our community.
2. Our program has a community involvement plan with employee roles and responsibilities specified.
3. Our program encourages staff to network and build community connections.
4. Our program is able to benefit from and contribute to the community.
5. Our program utilizes community input and feedback to develop new program ideas.
6. Our program needs and priorities are influenced by people living in the communities served.
7. Our program has a community-based participatory planning process.
8. Our program conducts periodic data collection from community stakeholders on opportunities, challenges, and trends.
9. Our program recruits staff from community residents.
10. Our program *volunteers* are representative of the community they serve.
11. Our program patronizes local community businesses.
12. We make our organizational resources available to other community groups.
13. Our organization is regularly approached to participate in community problem solving.
14. Our organization encourages community involvement to ensure long-term sustainability of the program.

Table 41.7 Community Collaboration

SOURCE: S. J. Rehnborg, D. L. Poole, K. Casey, D. W. Duvall, and L. F. Mangrum, *Tool for Improving Programs: A National Quality Assessment Project for National and Community Service Programs,* unpublished manuscript, University of Texas at Austin, 2004.

1. Our program partners with organizations that understand the roles, responsibilities, and importance of *volunteers*.
2. Our program provides clearly defined roles and responsibilities for community partners.
3. Our program provides orientation and training for community partners.
4. Our organization produces a comprehensive multisite management plan, if appropriate.
5. Our organization produces a multisite management plan with written memoranda of agreement with community partners, if appropriate.
6. Our program facilitates regular meetings with employees in partner organizations about placements.
7. Our program has the staff capacity to continually identify and engage new community partners.
8. Our program collaborates effectively with other community-based organizations.
9. Our program collaborates effectively with professional networking groups such as corporate *volunteer* councils and others.
10. Our program has adequate staff capacity to administer collaborative efforts.
11. Our organization retains its partnerships with other organizations over time.
12. Our organization actively works to develop external champions for the program.
13. Our organization regularly gathers and shares effective practices with other community-based organizations.
14. Our program employees and *volunteers* participate in a wide array of activities to learn about effective practices.
15. Our program work plans are consistent with effective practices in similar program areas.

Table 41.8 Partnerships and Collaboration

SOURCE: S. J. Rehnborg, D. L. Poole, K. Casey, D. W. Duvall, and L. F. Mangrum, *Tool for Improving Programs: A National Quality Assessment Project for National and Community Service Programs,* unpublished manuscript, University of Texas at Austin, 2004.

(see Table 41.10). Distinguishing this list from general compendiums of best practices, however, is the specific focus on understanding the role of service, administrative, policy, and fundraising volunteers. More specifically, board members of organizations that engage volunteers effectively are alert to the role that volunteers and national service members play in furthering the mission of their organization. They are knowledgeable champions of community engagement who advocate for volunteers, and they think of themselves not only as trustees, but also as active community volunteers. These board members set the tone within the organization for effective volunteer involvement.

1. Our organizational culture values community participation, including all types of *volunteers,* students in service learning, AmeriCorps, AmeriCorps/VISTA members, and others.
2. Senior leadership supports the role of *volunteers* in the organization.
3. Senior leadership speaks positively and passionately about the role of *volunteers.*
4. Decision makers in the organization are accessible to employees, *volunteers,* and community members.
5. Decision makers in the organization support our program objectives.
6. Everyone in the organization understands the importance of our *volunteer* initiatives.
7. Our program *volunteers* advocate for the program on many levels.
8. Our program staff advocates for the program on many levels.
9. Our program leadership inspires *volunteers* and employees.
10. Our program leaders model effective problem-solving processes.
11. There is a positive synergy between employees, *volunteers*, and clients in our program.
12. Senior leadership is able to articulate the role of *volunteers* or national service participants to organized labor union leaders and to engage in collaborative discussions about the boundaries between paid jobs and volunteer service.

Table 41.9 Organizational Culture

SOURCE: S. J. Rehnborg, D. L. Poole, K. Casey, D. W. Duvall, and L. F. Mangrum, *Tool for Improving Programs: A National Quality Assessment Project for National and Community Service Programs,* unpublished manuscript, University of Texas at Austin, 2004.

1. Our board members understand the organization's mission and its programs.
2. Our board members understand their role as *volunteers* in a governance position and provide strong leadership.
3. Our board understands the work of the program and its role in the community.
4. Board members can articulate the role of *volunteers,* students on service-learning, AmeriCorps VISTA members, and others in the work of the organization.
5. Our board members support the work of *volunteers* in achieving the goals of the organization.
6. Board composition is diverse and representative of the community.
7. Our board maintains a written plan for board development.
8. Our board fulfills its legal responsibilities to the organization.
9. Our board members make financial contributions to the organization.
10. Our board provides the organization with sound fiscal advice and oversight.
11. Our program involves an active advisory committee with members representative of the community.
12. Our program has an active community advisory committee that provides regular input and feedback.

Table 41.10 Board and Advisory Leadership

SOURCE: S. J. Rehnborg, D. L. Poole, K. Casey, D. W. Duvall, and L. F. Mangrum, *Tool for Improving Programs: A National Quality Assessment Project for National and Community Service Programs,* unpublished manuscript, University of Texas at Austin, 2004.

Summary

The VPAT, through each of its indicators, provides an overview of the complexity of engaging community members in the life and work of a nonprofit organization. This chapter presents the research methodology used to develop the VPAT. It is important to be aware of the need for such research for the nonprofit sector to properly evolve, and this chapter is offered as one example of interesting research design in the sector. As an aspiring nonprofit professional, you may also serve as a volunteer and will be called on to work with volunteers. This chapter provides an overview of the complexity of engaging the community and offers insight into the multifaceted dimensions of preparing an organization to benefit from the largess of the community. But volunteering is not only about the organizational side of the equation. It is also very much about the experience of the person who wants to serve, who has time and talents to share, and who hopes to make the community a better place for all people to live. The very essence of volunteering and national service is about building a better tomorrow. Careful planning and thoughtful management are critical to taking the efforts of those who want to serve and engaging that service in ways that sustain the person who gives and helps the cause for which the service is intended.

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Websites

For more information about volunteerism and national service, visit these websites:

http://www.cvacert.org: Volunteer managers can seek certification through the international Council on Certification in Volunteer Administration. This online resource provides an overview of the process.

http://www.energizeinc.com: This comprehensive website is devoted to all aspects of volunteer management. The site provides an online bookstore, links to professional organizations, timely debates about issues of significance to volunteerism, and interactive features that allow you to connect with those currently working in the field.

http://www.idealist.org/en/vmrc: This site provides detailed information about managing volunteers and includes up to date information about current trends in volunteer involvement.

http://www.nationalservice.gov: The official website of the Corporation for National & Community Service provides information about AmeriCorps, AmeriCorps VISTA, SeniorCorps, and Learn and Serve. In addition, the site shares research findings and links to tools and training designed to enhance service.

http://www serviceleader.org/new: Sponsored by the RGK Center for Philanthropy and Community Service, this site provides information about volunteering and volunteer management. Special attention is given to engaging volunteers through online service.

42

Policies and Procedures for Leaders

Conflict of Interest, Transparency, and Accountability

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In recent decades, as nonprofit organizations have grown in numbers, assets, and scope of activity, so have expectations for professional leadership, organizational performance, and accountability, through strategies such as government regulation, nonprofit self-regulation, and board governance.

This chapter, first, provides a brief history and review of general accountability concerns and approaches and introduces key accountability expectations. This is followed by the treatment of two central accountability strategies: conflict of interest, central to boards of directors and key employees; and transparency, thought to be a central responsibility of nonprofit governance, codified in law, and embedded in self-regulation approaches. Each section provides an overview of the issues and core theories that orient the various accountability approaches and discusses policies, procedures, and resources that are useful for implementation by nonprofit leaders. These topics are not without some ambiguity, competing thoughts, and complication; where appropriate the chapter addresses central controversies and debates.

Accountability

Definitions

In its most basic form, accountability involves responsibility to account for one's personal activities or those of an organization. This definition focuses on the external attributes of accountability where a "principal holds an agent to account" (Ebrahim, 2005, p. 59), in which accountability is characterized by *answerability* (the requirement to justify one's actions) and *enforcement* (or the penalties imposed if these actions are deemed unsatisfactory) (Goetz & Jenkins, 2007, p. 68). In addition to responsibility for exercising powers according to external requirements (Transparency International, 2009), accountability may be characterized by internal elements such as being "motivated by a 'felt responsibility' as expressed through individual action and organizational mission" (Ebrahim, 2005, p. 59).

However, as clear-cut as the concept may appear, there is also a great deal of ambiguity associated with accountability. Expanding analysis of this concept has eroded its precision, generating "widespread concern that the term will become devalued or incapacitated through overuse" (Weisband & Ebrahim, 2007, p. 1). Such slipperiness is somewhat apparent when considering policy around accountability.

Policy Considerations

Despite a degree of convergence about what accountability is, there is, nonetheless, considerable variation in self-regulation and legal procedures for enforcing accountability.

For instance, at the state level, there are varying degrees of strictness about filing requirements at different levels of state (Irvin, 2005). Moreover, increasingly states are duplicating watchdog organizations' standards and existing federal regulations to the point where the span of regulatory interest of the state attorneys general and the Internal Revenue Service (IRS) coincide but yet are considered alternately heavy-handed because of overlapping requirements or insufficient in light of growth and increasing complexity in nonprofits (Silk, 2007, p. 32). In addition, the cost of legally mandated accountability requirements among states is variable. For instance, Irvin (2005) provides quantitative estimates of the costs related to filing, based on the hours necessary for organizations to complete the paperwork, the hourly wage based on the Independent Sector's estimate of the "value of volunteer labor," and the number of states with which an organization is required to file (p. 168). According to these estimates, the cost of filing per state for the average organization is $366 (Irvin, 2005, p. 168). However, if the organization solicits donations nationwide, the cost to an organization can vary between $8,000 and $150,000 per year (p. 169). At its worst, this state filing requirement to maintain accountability serves as a fixed operating cost, which could, nonetheless, be viewed as a barrier to entry into the nonprofit sector. At the very least, as Irvin points out, the associated cost of filing could reduce the number and kind of services that organizations are able to provide to the public.

Mechanisms of Accountability

Accompanying external mechanisms to regulate accountability, there are various internal mechanisms that organizations can use and have in place to promote accountability, such as codes of conduct, ethics, or behavior. These mechanisms establish behavioral expectations and standards for organizations, government bodies, companies, or affiliated groups and individuals and include reference to minimal levels of compliance and the disciplinary actions an organization will take against staff and volunteers (Transparency International, 2009, p. 8). By adopting such standards independently, nonprofits become not only "agents of an external authority," but also leaders that shape standards for the sector as a whole (Ebrahim, 2007, p. 200). Moreover, as Silk (2007) argues, governing boards play a key role in setting ethical standards and could productively adopt and evaluate a code of ethics "that describes behavior it wants to encourage and behavior it wants to discourage" (p. 35).

Yet, while such sector-wide codes of conduct and ethics garnered attention in the 1990s, they have not taken hold in any widespread way, leading some commentators (e.g., Bothwell, 2001) to question whether voluntary compliance alone can provide effective regulation or if government oversight is required. Indeed, as Goetz and Jenkins (2007) observe, a fundamental flaw of accountability is the imbalance between what those in power demand and what ordinary citizens expect. However, alternative self-regulatory measures, such as accreditation systems, are more substantive and provide mechanisms for systematic monitoring and oversight (Brody, 2001, p. 16) as well as incentives for compliance and penalties for noncompliance.

For example, certifications or accreditations, such as those given by the Maryland Association of Nonprofit Organizations, serve to reinforce public trust of organizations and alienate those who are not in compliance. In one study (Bothwell, 2001), it is reported that 85% of Marylanders were more inclined to make giving decisions if a charity could provide a seal of approval for ethical standards and accountability given by a reputable association. Jordan (2007) argues, however, that certain accreditation programs, specifically those created through commercial or third-party private-sector organizations, are not always relevant to the nonprofit sector. Moreover, many such accreditation programs are developed in the hope of creating market demand among donors, which, in turn, will require nonprofits to undergo scrutiny. Consequently, some nonprofits may view accountability programs with suspicion, as mechanisms of control (Jordan, 2007, p. 154). Bies and Bowman (2008) find that nonprofit organizations report learning from accreditation processes in ways helpful to their internal operations and donor relationships. Recent research by Sloan (2008) further reinforces the potential value of consumer- or donor-oriented reviews in increasing charitable donations, particularly by individual donors.

Industry Guidance

Nonetheless, industry organizations generally agree that organizational accountability can be advanced by both transparency and conflict of interest policies, and they have made several recommendations to this effect. For instance, according to the Minnesota Council on Nonprofits (2005), all nonprofits have an "ethical obligation to their constituents and the public to conduct their activities with accountability and transparency" (p. 10). Similarly, the Maryland Association of Nonprofit Organizations (2009) suggests that the duty of the board of directors is to hold its organization accountable to its mission and core values, and the association emphasizes the importance of long- and short-term planning activities that help to identify the mission of the organization, define specific goals, and evaluate success. The Charities Review Council (2009) affirms the idea of active and engaged governing boards that develop strategy, take responsibility for an organization's mission and programs, and provide fiduciary oversight (p. 7).

The Better Business Bureau's Wise Giving Alliance (2003) approach to standards echoes these statements and adds a means of measuring financial accountability to its clients through, first, an expense ratio that calls for at least 65% of revenue to be spent on program services, as well as a second ratio that measures fundraising expenses as related to the total related contributions. The alliance recommends that fundraising expenses should not exceed 35% of total fundraising revenues. To understand these kinds of financial ratios and fulfill fiduciary responsibility, nonprofit organizations need to ensure that boards find ways to draw on independent financial expertise, by, for instance, inviting individuals who are financially literate onto the board (Independent Sector, 2009). Industry organizations have also recommended that financial statements be audited according to general accounting standards to improve the quality of information they make available (Panel on the Nonprofit Sector, 2005, p. 35). Table 42.1 provides a summary listing of key industry organizations and key elements of their accountability standards.

To Whom Are Nonprofits Held Accountable?

It is generally accepted that nonprofits are held accountable at various levels. This concept of *multidirectional accountability* means that different parts of a nonprofit organization must respond to a range of stakeholders, partners, and donors to meet the respective accountability challenge (Bryant, 2007, p. 170). Yet, these various levels of accountability can create an asymmetrical relationship where those with the most power are favored over the less influential, and often, favorable attention is given to external stakeholders, especially donors (Ebrahim, 2005, p. 60). Although the goals of various stakeholders are not always in opposition, this kind of favoritism can cause an organization to focus its accountability efforts more on these external actors and less on the communities it serves and the mission statement from which it derives its organizational focus (Ebrahim, 2005, p. 60).

In fact, the nonprofit sector's largest stakeholder is the greater public because the preferential tax treatment offered to nonprofits provides revenue that could alternatively be used for public projects with public mechanisms of control (Lee, 2004). Consequently, Lee (2004) suggests transferring the accountability modes and structures of

	State Association Examples		**Third-Party Entity Examples**		
Content Areas of Standards	*Minnesota Council of Nonprofits:* Principles and Practices for Nonprofit Excellence	*Maryland Nonprofits:* Standards for Excellence	*BBB Wise Giving Alliance:* Charity Accountability Standards	*Charities Review Council:* Accountability Standards	*Charity Navigator:* Ratings
Public disclosure	X	X	X	X	
Legal obligations	X	X		X	
Governance	X	X	X	X	
Financial activity	X	X	X	X	X
Fundraising	X	X	X	X	X
Human resources	X	X			
Role in society of nonprofits	X				
Public affairs, public policy, advocacy	X	X			
Mission adherence/ focus	X	X			
Planning	X				
Strategic alliances	X				
Evaluation	X		X	X	

Table 42.1 Nonprofit Accountability Organizations and Standards (Illustrative)

NOTE: Full listings of standards are available at the respective organization's website.

public administration to the nonprofit sector. These public methods could, for example, accomplish accountability directly to the public through e-reporting and publishing information on organizational websites, and indirectly, through news media. Such an approach to accountability would also mitigate the cost burden of filing identified by Irvin (2005) because, like government agencies, nonprofits also "generate significant amounts of information for internal management and financial reporting purposes . . . [and] can often be repackaged for public reporting. Therefore, public reporting does not need to be an undue and new financial burden" (Lee, 2004, p. 179).

Controversies

Organizations often feel there is a mismatch between existing accountability mechanisms and their value base and mission (Jordan, 2007, p. 153). Indeed, Jordan (2007) argues it is premature to begin a discussion about accountability and its mechanisms. In his view, it is unclear whether the nonprofit sector has a single definition of accountability or understands that its intrinsic value compels them to engage with the issue. Moreover, he argues, it is premature to assume both that there are broadly understood universal standards of accountability and that "the question, to whom or to what NGOs should be accountable is easily answered" (p. 154).

Moreover, more accountability does not always yield the most positive outcomes. For instance, more information is not always beneficial, as most donors do not have the time or capacity to analyze extensive documents (Bothwell, 2001). Similarly, O'Neill (2002) criticizes the overuse of accountability, particularly in relationship to program matters, stating:

> Unfortunately I think [accountability] often obstructs the proper aims of professional practice. Police procedures for preparing cases are so demanding that fewer cases can be pre pared, and fewer criminals brought to court. Doctors speak of the inroads that required record keeping makes into the time they can spend finding out what is wrong with their patients and listening to their patients. Even children are not exempt from the new accountability: exams are more frequent and time for learning shrinks. In many parts of the public sector, complaint procedures are so burdensome that avoiding com plaints, including ill founded complaints, becomes a central institutional goal in its own right. We are heading towards defensive medicine, defensive teaching and defensive polic ing. (pp. 49 50)

Instead of a concept of accountability that is measured by how well it defends entities from malpractice, accountability could be viewed as an area of opportunity. For instance, accreditation can be a positive influence on potential donors, and both transparency and avoiding conflicts of interest can boost public trust. Accordingly, there is work to be done to help nonprofits understand the value of accountability as a strategic choice "rather than a punitive process divorced from the mission of an NGO" (Jordan, 2007, p. 155).

Conflict of Interest

Definitions

The IRS defines conflict of interest as a situation where "a person in a position of authority over an organization, such as a director, officer, or manager, may benefit personally from a decision he or she could make" (IRS, 2006, p. 9). However, a conflict of interest may arise outside of traditional leadership roles and include staff and volunteers (Council on Foundations, n.d., p. 4). Indeed, all individuals associated with an organization may be involved in a conflict of interest, if a decision they are making impacts the organization in some way (MacDonald, McDonald, & Norman, 2002). In a phrasing similarly to the IRS conception, MacDonald and colleagues (2002) define conflict of interest as a "situation in which a person has a private or personal interest sufficient to appear to influence the objective exercise of his or her official duties as, say, a public official, an employee, or a professional" (p. 68). According to the Council on Foundations (n.d.), a conflict of interest can occur directly, between an individual (e.g., board members, other personnel, or donors) and the foundation, or indirectly, through business, investments, or family ties (p. 4). Such conflicts usually take on one of the following three forms: financial, personal, or a gift-related conflict of interest (pp. 4–5). Transparency International (2009) says a conflict of interest occurs when individuals "or the entity for which they work, whether a government, business, media outlet, or civil society organization, [are] confronted with choosing between the duties and demands of their position and their own private interests" (p. 11).

Two additional definitions related to conflicts of interest are those of nepotism and cronyism. The first is "a particular kind of conflict of interest . . . [applying] to a situation in which a person uses his or her public power to obtain a favor—very often a job—for a member of his or her family" (Transparency International, 2000, p. 197). The second is a broader term that "covers situations where preferences are given to friends and colleagues" (Transparency International, 2000, p. 198).

Implications

Conflicts of interest can negatively affect an organization's reputation and erode the trust an organization has built up with its stakeholders, particularly donors (MacDonald et al., 2002). Although it is not a federal requirement in the application for tax-exempt status (IRS, 2006, p. 9), adopting and enforcing a conflict of interest policy statement safeguards the organization and ensures that organizational affiliates put their duty to the interests of the organization before their own individual and private interests (Panel on the Nonprofit Sector, 2005, p. 81).

The public has traditionally held nonprofits in high esteem. Recently, however, nonprofits "have been accused of wrongdoings ranging from mismanagement of resources and use of funds for personal gain to sexual misconduct and fraud" (Weisband & Ebrahim, 2007, p. 9). An infamous example is that of the scandal involving financial misbehavior of United Way president William Aramony; scandals such as this have a negative effect on nonprofits broadly (Bothwell, 2001). Therefore, even where there is no substantive conflict of interest, the appearance of one can result in the loss of public confidence. Consequently, openness or transparency, as discussed in the final section of this chapter, is a key element both in defining conflicts of interest and in managing them.

As with accountability in general, there is a haphazard system of public regulation at the state level related to nonprofit reporting. Os noted earlier, there is concern that regulation and self-regulation approaches are becoming "increasingly duplicative" at the state level (Irvin, 2005, p. 162), as watchdog organizations such as GuideStar, the Better Business Bureau's Wise Giving Alliance, and the National Center for Charitable Statistics publicize organizational information for the scrutiny of the general public (p. 162). Nonetheless, there is consensus among state governments that states mandate that "directors and officers owe a duty of loyalty to the organization" and where organization affiliates benefit improperly from "a transaction involving a conflict of interest," this likely violates that duty (Panel on the Nonprofit Sector, 2005, p. 82).

Conflicts of Interest, Nonprofits, and Sarbanes-Oxley Act (2002)

The Sarbanes-Oxley Act was signed into law in response to corporate scandals; the act was developed with an overarching aim of rebuilding public trust in the corporate sector (BoardSource and the Independent Sector, 2006, p. 2). The law is therefore strictly applicable to publicly traded corporations; however, the legislation has two provisions that apply to all corporations, including those with nonprofit status: prohibiting the destruction of litigation-related documents and protecting whistleblowers who speak out against fraud (BoardSource and the Independent Sector, 2006, p. 2). Furthermore, organizations such as BoardSource and the Independent Sector recommend this legislation be viewed as a reference for the nonprofit sector as to how accountability should be addressed (p. 2). The sections of this legislation regarding audit committees, the filing of financial statements, the approval of organizational loans to executives, and whistle-blower protection are of particular significance to the nonprofit sector with regard to conflicts of interest (BoardSource and the Independent Sector, 2006).

Title II of the Sarbanes-Oxley Act emphasizes that auditing committees be independent of the organization itself. Nonprofits can look to this legislation as a recommendation that individuals on nonprofit audit committees should not be compensated for their service and should have no financial interest in the organization "or any other conflict of interest with any entity doing business with the organization" (BoardSource and the Independent Sector, 2006, p. 4).

A conflict of interest may also arise when certifying and filing financial statements. Section 302 of the Sarbanes-Oxley Act requires the chief executive officer (CEO) of a corporation to certify all financial reports filed. Organizations in the nonprofit sector are required to file the IRS Form 990. CEOs should fully understand the financial situation of their organization as presented on this tax form. As these documents are made electronically available to the public on a mass scale, it is important that the board and executive officers certify their accuracy. A conflict of interest may arise if the executive certifying these documents also served on the auditing committee (BoardSource and the Independent Sector, 2006, p. 7), and so executives should remain separate from these tasks.

Section 402 of the Sarbanes-Oxley Act prohibits the issuance of loans to corporate executives. Nonprofits may find themselves in a conflict of interest if they are transferring funds to organizational affiliates, especially as these funds were most likely donated with the intention of "doing good." This section of the Sarbanes-Oxley Act should be followed strictly throughout nonprofit organizations as the misuse of organizational funds has the potential to tarnish the reputation of an organization and detour future donations.

The whistle-blower protection set forth through the Sarbanes-Oxley Act in Section 806 provides protection from any form of retaliation for individuals who report fraudulence within a corporation. This provision is fully applicable to the nonprofit sector, where the disclosure of fraudulent activity within an organization may reveal a conflict of interest. Thus, these reports should be taken seriously, and the individuals providing them should be granted protection from any legal retaliation.

Grant Williams (2006), analyzing a report published by the Urban Institute for the *Chronicle of Philanthropy*, found that the impact, costs, and value of implementing such provisions would vary depending on the size of the organization. Because larger organizations—most of them for-profit—are more likely already to have the Sarbanes-Oxley Act provisions voluntarily in place (Ostrower & Bobowick, 2006), mandatory implementation is a concern for the nonprofit sector, as it would disproportionately impact the operations of smaller organizations.

Similarly, audit compliance (i.e., the use of an independent audit committee with a CPA or other knowledgeable financial adviser) is positively correlated to the size of an organization's annual budget. In one study looking at nonprofits that do not currently have audit committees (Ostrower & Bobowick, 2006), most indicated they would find it difficult to comply with any law that required such committees, and 54% admitted they would find it difficult to comply with a law that required organizations to include a financial expert on their audit committee (p. 2). Smaller organizations tend to have fewer resources, to include a less extensive social network, and to maintain smaller budgets. Thus, a similar trend was found with regard to whistle-blower protection provisions, where the likelihood that a whistle-blower protection policy is in place positively correlates to the size of an organization's annual budget (Ostrower & Bobowick, 2006). These findings pose implications for organizational capacity needs vis-à-vis accountability, transparency, and conflict of interest provisions.

Overall, voluntary compliance and familiarity with the Sarbanes-Oxley Act is increasing (Williams, 2004). In 2007, a survey by Grant Thornton, an accounting and business advisory group, showed that 20% of nonprofit officials made voluntary changes in their operations as a result of the Sarbanes-Oxley Act. One year later, the same survey found that 48% had made such changes; that familiarity with Sarbanes-Oxley legislation had also increased; and that more than 75% of organizations had implemented conflict of interest policies.

Industry Guidance

Despite recent corporate scandals, the public's confidence and support for charitable organizations has remained fairly strong (Independent Sector, 2002, p. 5). However, nonprofit executives are cautioned against complacency in their efforts to maintain ethical and accountability standards in their organizations. Indeed, there is a general consensus among nonprofit organizations that the adoption of conflict of interest policies is vitally important in the effort to uphold ethical standards and safeguard "charitable organizations against engaging in unethical or illegal practices" (Panel on the Nonprofit Sector, 2005, p. 82). In the effort to improve sectorwide accountability and trust, various nonprofit organizations, such as the Wise Giving Alliance of the Better Business Bureau, the Independent Sector, and BoardSource, have established sectorwide ethical standards and good practices. As the Independent Sector (2004) notes, the credibility of organizations is radically undermined when tax-exempt funds are not used "exclusively for charitable purposes" (p. 2). The Council on Foundations (n.d.) argues that although the tax code does not require organizations to establish conflict of interests policies, without them, it is hard to "achieve or demonstrate compliance" with the law (p. 3). Therefore, industry organizations, such as the Panel on the Nonprofit Sector (2005), recommend that charitable organizations "adopt and enforce" conflict of interest policies that are "tailored to [the] organization's specific needs and consistent with laws in their state" (p. 81).

Creating a Conflict of Interest Policy

According to industry organizations, conflict of interest policies have a range of purposes. First, the general purpose is to "identify and provide guidance on the most important and most common conflict of interest situations faced by a foundation, and set down general principles that can be applied to situations not covered in the policy" (Council on Foundations, 2006, p. 3). Second, policies should

> prevent the personal interest of staff members, board mem bers, and volunteers from interfering with the performance of their duties to, or result in personal financial, professional, or political gain on the part of such persons at the expense of its Members, supporters, and other stakeholders. (Council on Foundations, 2006)

Third, boards should include an annual disclosure form, signed by board members, as well as procedures for handling conflicts of interest, and, fourth, conflict of interest policies should also require employees to disclose "relationships, nepotism, and interested party transactions" (Minnesota Council of Nonprofits, 2005, p. 16). Thus, a nonprofit board of directors must ensure enforcement of its conflict of interest policy. While there are slight variations of how various nonprofit industry organizations view the necessary content of such policies and the structure of internal enforcement mechanisms, the importance and emphasis placed on their use is apparent, as part of efforts to enhance accountability, particularly as it relates to fiduciary responsibility.

The information included in Table 42.2 provides guidance on how to develop a conflict of interest policy.

Additional detail may be included for a more extensive or organization-specific policy; the IRS, for example, provides guidance regarding the inclusion of provisions for compensation, annual statements, and the maintenance of board meeting minutes.

Controversies

Issues of proper stewardship of charitable contributions also relate to the management of conflicts of interest. Because nonprofits accept "the privilege of tax exemption and the right to solicit tax-deductible contributions," they are held accountable to the public at large "for the way they use resources that would otherwise have gone into the public treasury" (Lee, 2004, p. 172). With this idea of accountability as a backdrop, Brody (2001) points out that "under charitable trust law" when dealing with donor-restricted funding, "the wishes of the donor determine the use of the funds forever" (p. 9). However, an interesting situation arises where nonprofits that accept donor-restricted funding may inadvertently fall into a conflict of interest due to the fact that an individual restriction from a donor may contradict the idea that an organization "operates exclusively for the public benefit" (Brody, 2001, p. 7).

Basic elements of a conflict of interest policy include:

Section I: State the purpose of the document.

Section II: Define necessary terminology. This section may vary depending on the nature of the organization, though it should at least identify "to whom and to what [the document] applies" (Council on Foundations, 2006, p. 4).

Section III: Disclosure. Here the document should require the disclosure of any conflicts of interest, whether they are actual or potential. "The best safeguard against entering into an actual or apparent conflict of interest transaction is disclosure" (Council on Foundations, 2006, p. 5).

Section IV: Procedures. This portion should clearly present instructions explaining how to determine if a conflict of interest exists, as well as procedures for mitigating the situation of conflict into an acceptable solution that is in compliance with the policy as well as state and federal regulations (Council on Foundations, 2006, p. 5).

Table 42.2 How to Develop a Conflict of Interest Policy

Such cases point to the need for transparency in mechanisms and approaches to conflict of interest.

Transparency

The term *transparency* is often presented and heard synonymously with accountability. However, whereas accountability is associated with providing an explanation for "decisions, actions and their consequences, . . . transparency is about providing information" rather than justification (Bryant, 2007, p. 169). To be transparent is to offer enough information about the organization so a person can make informed judgments. Therefore, transparency is also a process achieved by "collecting information and making it available and accessible for public scrutiny" (Weisband & Ebrahim, 2007, p. 5). Transparency underpins the duty of "public officials, civil servants, the managers and directors of companies and organizations, and board trustees . . . to act visibly, predictably, and understandably to promote participation and accountability" (Transparency International, 2009, p. 44). Transparency is often associated with the term *disclosure,* defined as the "provision of information under law or in good faith, regarding activities of a private individual, public official, company, or organization" (Transparency, 2009, p. 16).

State Regulation and Transparency

Although most states require fundraising counsel and professional solicitors to register and report pre- and post-campaign fundraising, not all states require nonprofit organizations to file initial and annual registration forms (Irvin, 2005). According to Irvin (2005), only 39 states now have this requirement, and the need for these additional disclosures is debated due to the duplication of federal compliance filing. On the one hand, the added state requirements provide public officials (and often the general public) with information to scrutinize and publicly rebuke fraudulence during re-election campaigns (Irvin, 2005, p. 165); while on the other, the system generates state revenue through filing fees. These can accumulate to a significant revenue stream for some states with high numbers of nonprofit organizations, such as California and Pennsylvania (p. 165). However, state motivations are not solely revenue driven. Concerns about protecting donors against deceptive solicitations and for maintaining public trust in the sector are attendant drivers (p. 166). Nonetheless, Irvin argues in favor of deregulating financial filing requirements because there is already a range of information that can be used to track fraudulent nonprofit activity, such as consumer complaints and analysis of the Form 990 (p. 173). This deregulation would lift the burden of complying with varying state regulations from the shoulders of nonprofit organizations and allow state governments to focus on greater oversight with information that already exists.

Transparency and Public Reporting Requirements

In addition to involvement with conflict of interest practices, the Sarbanes-Oxley Act requires a number of financial disclosures concerning transparency from audit committees, as well as information concerning material changes in financial conditions or operations (p. 47). In comparison to publicly traded corporations, nonprofit financial filings are far less extensive, although equally important in terms of transparency, and in fact, this portion of the legislation does not apply directly to the nonprofit sector. Yet, it is worth considering in the achievement of greater public disclosure, as is the general recommendation that nonprofits file the Form 990 in a timely, accurate, and complete manner (BoardSource and the Independent Sector, 2006, p. 8).

The Form 990 discloses information regarding an organization's mission, programs, and annual finances; detailed examination of the document can reveal the overall financial health of an organization. According to IRS (2008b) Publication 557, "every organization exempt from federal income tax under section 501(a) must file an annual information return" (p. 9). Exceptions exist, most notably for organizations with a religious affiliation (p. 9). The form details the sources of revenue and the outflow of expenditures and accounts for organizational assets and liabilities (IRS, 2008b). However, as Lee (2004) points out, the Form 990 is rather user-unfriendly. To be useful, its information requires analysis, and therefore, on its own, it should not be seen as "fulfilling the purpose of public reporting" (p. 178).

In accordance with the IRS Publication 557, organizations are required to make their most recent 3 years of IRS Forms 990 "widely available," and, in this way, the federal government is able to enforce transparency. The IRS (2008c) defines "widely available" as making 990s available via the Internet or by provision of forms on individual request, declaring, "If the request is made in person, the notice must be provided immediately. If the request is made in writing, the notice must be provided within 7 days" (p. 17). The IRS substantially revised the Form 990 in 2007 (its previous major revision was in 1979) to reduce the reporting burden and to ensure inclusion of relevant data because the old form "failed to reflect the changes in the law and the increasing size, diversity, and complexity of the exempt sector" and served the needs of neither tax compliance nor transparency and accountability (IRS, 2008a). Although reaction to these changes is mixed, they are perceived by some as the phantom child of the Sarbanes-Oxley Act. The new form serves to show the "importance of transparency and accountability regarding a tax-exempt's finances and operations and to emphasize board and officer involvement in the area" (O'Reilly, 2008, p. 60). A major change includes the first page, which is condensed to include key elements typical of an annual report, such as summary income and expense figures, governance practices, and information on program operations.

Industry Guidance

There is general consensus among industry organizations that transparency should be advanced as a means of greater accountability on the grounds that "nonprofit organizations are private corporations that operate for public purposes with public support. As such, they should provide the public with information about their mission, program activities, and finances" (Maryland Association of Nonprofit Organizations, 2009, p. 8). The Panel on the Nonprofit Sector (2007) presents a similar position: "A charitable organization should make information about its operations, including its governance, finances, programs and activities, widely available to the public" (p. 12). There is, in fact, an emerging belief that transparency should extend beyond required financial disclosures to "strengthen the respect (and justify the privileges) that America gives to charity and charitable giving (Better Business Bureau's Wise Giving Alliance, 2007, p. 7). For instance, in addition to the basic federal requirements, the panel (2007) believes organizations should demonstrate their commitment to transparency by providing additional documents about their operations, including an annual report, evidence of evaluation, and a detailed and user-friendly website with links to their IRS Form 990 (p. 12), and generally by taking a leadership role in "providing more and better information than the tax collector and state require" (Brody, 2002, p. 492).

Options for meeting the demands of transparency are increasingly available through technology, facilitating rapid and relatively inexpensive exchange of information. Technology, however, has its limits. For instance, Lee (2004) argues that the media has a "general lack of interest in detailed and ongoing coverage . . . [making] it much harder for public agencies to report to the public through traditional indirect routes using the media" (p. 176). Consequently, perhaps, the Internet increasingly plays a pivotal role in direct reporting, dramatically broadening the scope of public disclosure through organizations such as GuideStar, which electronically make available a vast array of information about organizations via voluntarily posted reports and IRS files (Bothwell, 2001). E-reporting "offers inexpensive and effective means for reaching individual citizens in an unprecedented way" (Lee, 2004, p. 177), as do social networking websites such as Twitter and Facebook. Indeed, although many nonprofit organizations already use social networking technologies to advance their organizations' voluntary transparency, social networking technology is relatively new and warrants further research.

Controversies

The need for transparency and the technology available to support it raises two important issues. First, while the media make information readily available, how they do so—almost always neglecting its "vital duty to put the 'bad' news it reports into the context of the 'good' news that forms the backdrop," according to Bothwell (2001)—has been criticized. As Bothwell argues, there is a greater amount of "good" news available, but "it takes much more effort to gather it than does the 'bad'" (2001). Yet, this imbalance has consequences for nonprofit organizations. For instance, following the September 11, 2001, attacks in 2001, the American Red Cross was accused of misleading donors, soliciting for funds to be dedicated to September 11th victims and then using them for more general operations. The media's negativity overshadowed the extraordinary services that were being provided, according to an assessment by Gotbaum (2003), but as a consequence, the

American Red Cross set out to increase its own transparency. This included a national public relations effort to educate the country about the reasons for its actions. Interestingly, nonprofit and for-profit organizations respond in different ways to negative attacks on their sector as a whole, Gotbaum said. After the Enron scandal, for-profit "industry groups began visiting Washington decision makers"; however, the Red Cross's colleague organizations in the nonprofit sector responded with isolation and silence. This suggests two potential complications with nonprofits' use of the media as a mechanism of transparency: Nonprofits may not be sufficiently mature in their use of the media, and nonprofits may lack sufficient collective identity and sense of affiliation to other nonprofits.

Second, while increased transparency is generally perceived as a positive aspect contributing to accountability, there are questions about the potential trade-off with confidentiality. For instance, some leaders in the nonprofit world—for example, Dan Borochoff, American Institute of Philanthropy, and Bennet Weiner, Better Business Bureau's Wise Giving Alliance—"worry about the privacy of donors . . . especially . . . those who contribute to controversial causes" (Bothwell, 2001), Moreover, where nonprofits are working to empower underprivileged populations through either overt or covert means, transparency can "make it easier for vested interests to identify what is happening and thus more effectively oppose it, or, at worst, lead to the deregistration and closure of the organization for being subversive (Bryant, 2007, p. 169).

Summary

In summary, while there is broad consensus within the nonprofit sector about the value of and need for accountability, there is considerable variation across states in codes of conduct and procedures for enforcing accountability. The cost of legally mandated accountability requirements among states is variable, impacting, at worst, decisions about whether organizations can or should become nonprofits and, at the very least, the kind of and level of services that nonprofits provide. Despite these variations, organizations can use various self-regulation mechanisms to moderate internal behaviors and to promote accountability, such as codes of conduct, ethics, or behavior, along with regulatory and peer-reviewed accreditation programs, which contribute to systematic monitoring and oversight. Such mechanisms are important in the context of public mistrust. Moreover, there is general agreement among industry organizations that organizational accountability can be viewed as an area of opportunity to boost public trust in the nonprofit sector, and, accordingly, to advance both transparency and conflict of interest policies.

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Transitional Leadership

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Nonprofit organizations are faced with unique challenges that require both specific knowledge of the nonprofit sector and organizational skills, and also special leadership skills. While there are many leadership theories and approaches to the exercise of leadership, this chapter will introduce *transitional leadership* and the philosophy behind the theory. Transitional leadership assists people at every level of the nonprofit organization to increase their leadership capacity and address the complex and challenging issues facing nonprofits today.

After a brief historical overview of leadership theories, we will present the transitional leadership model and explain the components that provide the foundation for the philosophy of the model. To highlight the applicability of the model, a nonprofit case will be presented as an example of the transitional leadership theory. The case involves a nonprofit organization and a critical incident that required transitional leadership. After the case is discussed, the ideas will be synthesized in a summary section.

It is the intent of the authors that those wishing to exercise leadership in the nonprofit sector will be able to use and apply transitional leadership theory to mobilize people for effective change while working toward purpose and managing the transitional process.

Leadership Theories

Leadership theories abound in the organizational and business literature. With so many approaches, strategies, and theories from which to choose, it is difficult for organizational leaders to discern which approach or style of leadership best suits the needs of their organization. In addition, the thought that one particular theory can meet the needs of all leaders, all organizations, and all situations may add to the confusion of those hoping to navigate a path for their group or organization and exercise leadership.

Contemporary understanding of leadership began with the "great man theory" in the early 1900s, which essentially claimed that leadership could be best understood by studying the great men who led nations. This approach led to an examination of presidents and generals, such as Sir Winston Churchill, Joseph Stalin, Franklin Delano Roosevelt, and Abraham Lincoln. By understanding the actions, approaches, and styles of these men, proponents contended, one could understand good leadership.

The great man theory evolved into trait theory (Stodghill, 1974), a theory that suggested certain people contain the necessary traits for leadership—essentially saying that leaders are born. From this perspective, leadership is viewed as being linked to certain traits, and people who have those traits will make good leaders. In the first part of the 20th century, leadership was understood by studying the traits and behaviors of people who held leadership roles. Around the middle of the century, the focus shifted as scholars began recognizing the complex social influences on both individuals and organizations. Situational leadership claims that the most appropriate action of a leader depends on a variety of situational factors. Hersey and Blanchard's (1977) situational leadership theory claims that a leader should base his or her style and leadership behavior on the specific situation of the followers.

Similar to situational leadership is contingency theory. Made popular by Fiedler (1967), contingency theory acknowledges the many influences on leadership activity and suggests that leadership behavior is contingent on many different factors, such as the leader's preferred style, the group of followers, and the situation. These more classic theories dominated the leadership literature for a large part of the 20th century.

As the issues facing organizations became more complex, leadership theories began reflecting the dynamic and multifaceted nature of leadership issues. Theories began describing the importance of values in leadership behavior, suggesting that leadership serves and helps people, improves situations, and brings everyone involved to a higher moral place (Burns, 1978; Greenleaf, 2002). In addition, the practice of leadership became a focus of study, and leadership scholars claimed that the complexities of contemporary issues and the demands on individuals and groups required a deeper attention to learning, adapting, and self-awareness (Argyris & Schön, 1978; Heifetz, 1994; Senge, Scharmer, Jaworski, & Flowers, 2004).

Currently, high-level administrators, directors, and officers in organizations are faced with questions about how to best serve the people in their company, meet the needs of production and profit, and uphold their vision and mission. In many ways, the work of leadership is about transition. Those hoping to lead their organization must meet the challenges of dealing with change and managing the transitional process. To better understand the transitional work of leadership, people must first understand the difference between leadership and authority.

An Authority-Leadership Distinction

All organizations have an authority hierarchy—a chain of command or administrative levels. Typically, within nonprofit organizations, the board of directors and the various subcommittees of the board hold the highest level of authority within the organization as a whole. Nonprofit boards vary in involvement, with a "hands-on" board being very involved in much of the activity. An executive director typically holds the highest level of authority within the nonprofit staff group, and several assistant directors manage various components of the organization's need. Figure 43.1 depicts a typical nonprofit organizational structure.

The structural model in Figure 43.1 reflects the authority levels of the organization. Authority can be defined as power that is earned or assigned by others and is accompanied by an expectation and right to perform work or a service (Sulpizio & McCoy, 2009). To better understand an authority role, consider a doctor, who has the power to diagnose an illness and prescribe medication. Both the American Medical Association, who awarded a medical license to the doctor, and the patient, who has selected this doctor for medical care, have conferred authority on the doctor. Similarly, a police officer has the power to issue a speeding ticket. Both the city and the community have conferred authority on the police officer.

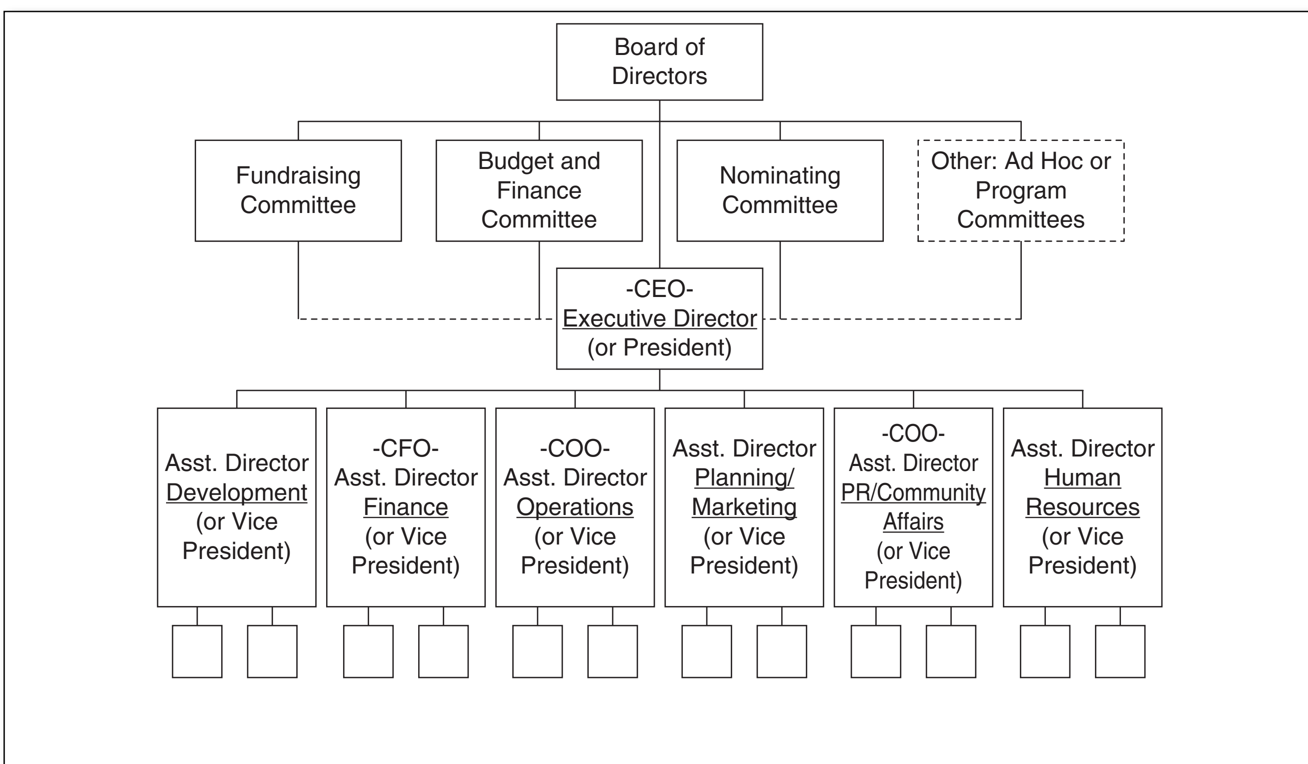

Figure 43.1 Traditional Nonprofit Organizational Structure

In a nonprofit organization, those with authority have been assigned their roles. In many cases, there is a selection process for board members and a hiring process for all staff, including the director and assistant directors. Assigned authority is power that results from a positional role within a group or organizational. This role is formalized by a hire, voting, or appointing process. The president of the United States holds the highest assigned authority role in the country. Other examples of assigned authority are CEOs, senators, and captains of sports teams.

In addition to being assigned, authority can also be earned. Earned authority occurs when an individual gains power through respect, trust, and expertise. In this way, a person can emerge within a group as one with authority simply because he or she has earned the trust and respect. Earned authority also comes with the expectation of service. For example, among a class of students, one student may have earned the respect of her classmates based on previous answers to questions, test scores, and dialogue with the professor. In this way, this student will have earned the authority in the class, and other students may expect her to answer questions, have an intelligent comment to add to a group discussion, or know more about course information.

There is a very important relationship between authority and leadership. An authority role does not guarantee that a person exercises leadership. In fact, many people confuse the two terms and refer to those in authority roles as leaders, calling the CEO of a company the leader. Referring to those in authority roles as leaders is incorrect because a person in authority may or may not exercise leadership. In fact, those in authority roles may exercise leadership *some* of the time, but not all of the time. In many instances, those in authority roles may be doing procedural work or routine tasks such as scheduling meetings, reviewing and returning e-mails, holding weekly team meetings, and so on. Leadership, on the other hand, is defined by transitional work—work that is defined by change or movement from one place, position, or issue to the next. Transitional work could be downsizing personnel, making significant changes to the budget, cutting or adding programs, or reviewing and updating a mission statement.

Leadership and authority, although not the same thing, are very important to each other, mainly because the resources that accompany roles of authority provide the opportunity to exercise leadership and effectively do transitional work. Often, those in authority have the power to make decisions or have access to budget and financial resources, making roles of an authority a critical and opportune place for leadership to occur.

Nonprofit Sector's Unique Challenges

The nonprofit sector has its own challenges, which make it different from businesses and organizations. Those hoping to exercise leadership or hold an authority role within a nonprofit organization should be prepared for those challenges and have an understanding of the leadership skills and strategies necessary for addressing those challenges.

While not all nonprofit organizations face the same issues, some common concerns are likely to surface at some point in a nonprofit organization's lifetime. These concerns create tension within nonprofits. Tension is psychological and emotional strain that results from a polarization of conflicting thoughts or ideas. It can occur at the organizational level, the group level, or the individual level.

For example, an executive director might experience tension when he or she detects a growing resentment from staff as a result of cutting costs and managing the budget. The staff's growing unrest results from the board of directors' increasing pressure to eliminate more programs and services based on the struggling economy and the lack of donations. The staff feels that the board does not understand the day-to-day operations of the nonprofit and has unrealistic expectations that will negatively affect the people the organization serves. The executive director hears the feedback from staff at the same time as receiving pressure from the board. Not wanting to disrupt either group too significantly, the director's tension continues to mount, making the situation stressful and the solution uncertain.

While the above example demonstrates the director's individual tension, it also exemplifies an organizational tension felt from the financial pressure that occurs during a struggling economy. This tension—the desire to offer robust programs and services and the reality that funds are not available to support those services—creates emotional and psychological stress.

Tension can create uncertainty, anxiety, fear, or distress. Yet, tension is also a sign that transitional leadership is needed. Being able to detect tension in yourself and in others is a way to distinguish if there is a significant issue needing to be addressed in more than just a procedural manner. Often, issues that create tension are issues that are significant and critical for the organization and the people involved. Learning how to recognize tension and how to best address it is a critical skill for those hoping to exercise leadership.

Within the nonprofit sector, many different situations commonly arise, resulting in tension. The following are examples of issues that are likely to create tension for those working within nonprofit organizations.

High Board-Member Turnover

Often, board members hold a term for a short period of time, making turnover a frequent occurrence. Some possible reasons for this may be the tendency for people to join boards based on interest in the organization without any experience or idea of the workload involved or expectations of board members. Also, nonprofit board members are often people who hold full-time jobs elsewhere and may not be able to balance their career with the role of board member.

High board-member turnover creates both procedural and transitional work. The procedural process of selecting new board members is time consuming and may distract and deter both the board and the staff from other more pressing issues. Also, committees might need to be filled or adjusted due to board members' coming and going.

At the same time, replacing board members may require transitional work if the selection process is aimed at changing the culture of the board by soliciting a different type of board member or by adding people with differing perspectives. A frequently changing board with constant new members might meet resistance from staff or current board members.

Balancing a Social Mission With Fiscal Development

At their core, nonprofits have a socially conscious mission based on improving conditions for both individuals and groups, often, offering a needed social service. While the purpose and mission are genuinely aimed at bettering society and not making money, the need to secure funding is critically present at all times.

Often, the programs and services don't generate enough revenue for self-sustainability, so in addition to the work of upholding a social mission, board members and staff must also solicit donations, hold development campaigns, and find creative ways to make money.

Often, good works and making the world a better place do not pay the bills. There is little to no income from most nonprofit programs and services. This reality—the desire to work toward a social mission while faced with the reality that money must somehow be generated—creates considerable tension for non-profit organizations.

Losing the Largest Donors

Especially in times of economic distress and hardship, finding and securing donors is a challenge. Perhaps one of the biggest challenges faced by both nonprofit boards and staff is losing a large, long-term donor. This creates an abundance of transitional work, especially if the donor is not readily replaceable. With a decrease in revenue from gifts, often programs and services need to be cut, and those decisions are never clear and easy.

In addition, if a high-profile donor opts out of a gift they have traditionally given, other donors may become suspicious and question their own involvement. This ripple effect may occur despite valiant efforts by the organization to maintain most donors. Again, the nonprofit is in a unique situation in having to raise money to support its mission, unlike organizations in the for-profit sector. The tension caused by those two agenda items makes losing a significant donor a very critical issue.

Agenda Pushed by Donors

It is equally challenging for both the board and staff when a donor pushes his or her personal agenda and feels justified in doing so based on the fact that he or she contributes a substantial amount of money to the organization. Dollars should not equate to the right to influence the work, especially if the influence compromises the organization's mission and philosophy. However, those leading the organization recognize the value of donations and often walk a difficult line when creating boundaries with the largest givers.

The relationship among donors, board members, and staff is complicated and needs open and authentic communication and attention to interpersonal relations. Nurturing and cultivating these relationships are a key component of transitional leadership.

Board Members With Giving Capacity but No Real Leadership Skill

Perhaps the most frustrating for a director and the staff are board members who are selected based on their giving capacity despite their lack of any leadership skill. Board members who have a limited capacity for leadership can create roadblocks and frustration. This challenge goes back to the issue of having a social mission with a need for financial giving—and balancing the desire to operate a socially conscious organization with limited funding and revenue-generating programs.

Transitional Leadership

The transitional leadership model is an approach to the development and practice of effective leadership that is based on years of organizational and leadership development research (Figure 43.2). Transitional leadership can assist with the challenges described above. The transitional leadership model provides a framework and a philosophy for a leadership process that will help everyone involved in nonprofit organizations to address challenges and navigate change with a successful transition.

The model is founded on the principle that the exercise of leadership is about mobilizing people toward change—in essence, leadership is about dealing with and managing transitions in the face of the many tensions that arise. At the core of transitional leadership is a focus on purpose, the driving force that creates meaningful actions and outcomes. Many organizations suffer from problems and conflicts because the people involved have lost sight of purpose. In this way, purpose helps keep organizations on track and helps provide direction and focus for everyone involved.

When purpose is kept front and center, people can determine when the purpose should be adjusted or adapted. Often, the purpose changes or evolves over time. In some cases, a purpose may need to be fine-tuned to be more reflective of the organization's philosophy. Purpose is seldom static and often grows as an organization grows, however, whether old or new, purpose is the center focus for transitional leadership.

The model includes six different skills critical for addressing change successfully. Each of these elements relies on the others and reflects a process for the exercise of leadership (see Table 43.1). Many of them contribute to the effectiveness of others. For example, effective

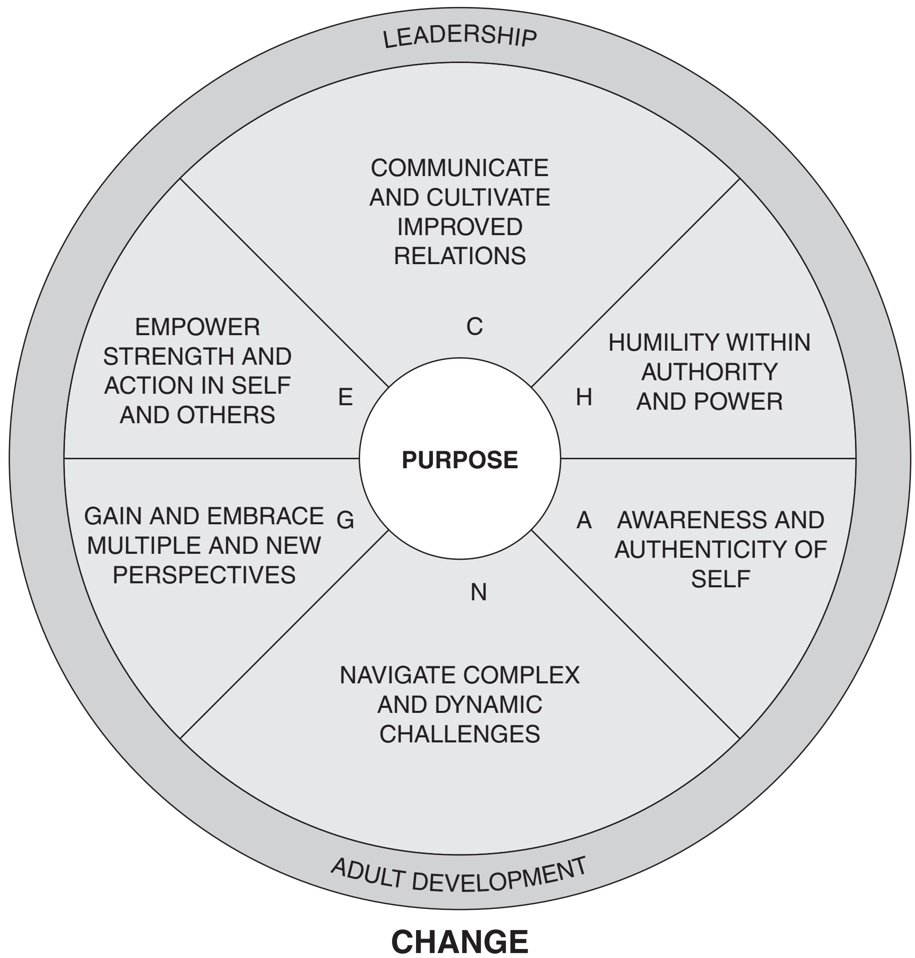

Figure 43.2 Transitional Leadership Model

communication often leads to the ability to gain and embrace multiple and new perspectives.

It is important to understand that these skills should not occur exclusively or one at a time. Rather, they all must be constantly present during the exercise of leadership. One or two possibly may be more active at any particular time, based on the context of the situation and the people involved. Each of these skills will be detailed and explained in the next section.

C—Communicate and cultivate improved relations
H—Humility within authority and power
A—Awareness and authenticity of self and others
N—Navigate complex and dynamic challenges
G—Gain and embrace multiple and new perspectives
E—Empower strength and action in self and others

Table 43.1 Transitional Leadership: Skills for the Exercise of Effective Leadership

In addition, the transitional leadership model includes personal growth as well as growth in leadership capacity. In this way, the philosophy of transitional leadership integrates adult development with leadership development and suggests that to improve our capacity for leadership, we must also improve and develop ourselves.

Transitional Leadership and Adult Development

The transitional leadership model is founded on the twin beliefs that to improve your capacity for exercising leadership, you must develop the self. In other words, if people seek to further their adult development, they will in turn further their capacity to exercise leadership. This belief is grounded in extensive academic theory and research. Understanding how the self can continually be developed as people move through their adult life can improve people's ability to manage the complexities of organizational life. A positive result of adult development is the ability to demonstrate adaptive, flexible leadership that remains true to purpose, even during tumultuous times.

One aspect of the relationship between leadership and adult development is what Donald Schön (1983) termed the *reflective practitioner,* which means the individual takes a larger view and looks at the underlying assumptions that drive actions. The person begins to understand how they relate to others, to the organization, and to a larger system. Reflective practice begins with reframing problems, listening with a neutral ear, engaging in dialogue with others, and trying again to understand how one is perceived. These aspects of adult development surface in the transitional leadership model, providing a process for the exercise of leadership that helps people recognize the importance of a deeper understanding of self in the practice of effective leadership.

Another aspect of adult development is changing behavior to a higher level of moral and cognitive thinking. This often means moving from an individual-centered point of view to a more collective approach. Leadership is about moving people toward change. The ability of the leader to move to an understanding of more complex issues and relationships will assist them in leading effectively in the nonprofit sector.

Communicate and Cultivate Improved Relations

Interpersonal relations are at the core of organizational life and the exercise of leadership. For example, the relationship between a nonprofit staff and the nonprofit board is an ongoing relationship that needs continual communication and cultivation. Often, an inability to communicate effectively creates strained relationships and built-up resentment and tension.

Listening becomes a large piece of effective communication and improved relations. It allows voices to be heard, and when people feel listened to, they feel respected and validated. It is important for everyone, from the president of the board to an assistant for development, to feel like he or she is a viable member of the organization and has a voice that is heard.

Communication also requires an ability to suspend judgment and bias to allow for a dialogue among people. Effective dialogue implies that all involved parties are participating in the conversation and having the opportunity to speak.

Humility Within Authority and Power

Humility in transitional leadership, or the act of being humble, includes an individual's understanding of their role as simply one participant in a group and to merge themselves into the group and the larger purpose. Within an authority role, where power is a factor, humility distills arrogance, promotes dignity, and creates strong interpersonal connections while earning respect from others. Collins (2001) provided extensive research on the differences between a "good" organization and a "great" organization and provided evidence for the utility of humility in leadership. Humility may offer a new lens through which to understand leadership, authority, and power.

Because authority roles are accompanied by greater resources than other roles, it is easy for those in authority to abuse their power and their resources, losing the trust and respect of those they are hoping to lead. Humility is a way for those in authority to acknowledge the collaborative process of organizational life and honor and validate those at all levels who work hard for the organization. People want leadership, not domination. People want to be encouraged and empowered, not controlled or coerced. Humility for those in authority is essential to effective transitional leadership.

Awareness and Authenticity of Self and Others

Perhaps the most difficult of the six skills, self-awareness and authenticity require an intense and ongoing personal commitment. Self-awareness is more than just knowing who you are. Self-awareness is the willingness to see yourself—your behaviors, thoughts, and actions—and reflect on and own both the positive and negatives aspects of your self.

Self-understanding as both a social and organizational imperative helps individuals understand how to relate to others more effectively, to build commitments, and to develop extended social relationships. Understanding the self and how a person is perceived by others is considered to be the first step in many leadership efforts. Over the past 15 years, there has been an increasing amount of attention given to self-awareness among management and leadership researchers and to its effect on organizational and individual performance. Self-awareness is connected to the idea that if we know ourselves and are more cognizant of how we are perceived by others, we can incorporate the information from others into our own self-appraisals and behavior (Moshavi, Brown, & Dodd, 2003).

Authenticity occurs when people act in ways consistent with their values and beliefs. In short, authenticity is a willingness and ability to be real and genuine. Authenticity creates patterns of behavior that foster both greater self-awareness and transparency in relationships. Both awareness and authenticity include acknowledging and accepting both positive and negative aspects of oneself. This honest understanding is important for leadership as it encourages humility, leads to improved and genuine interpersonal connection and relationships, and allows a person to learn from multiple perspectives. Authenticity and awareness include an openness to people and ideas, and a willingness to learn, change, and adapt.

Navigate Complex and Dynamic Challenges

More than ever, today's challenges are complex and dynamic. Organizations do not operate in simple, static environments, and nonprofit organizations are no exception. With the rise of technology and Internet capabilities, nonprofits have more resources than ever to reach out to people, market, campaign, and fulfill their mission. With these increased resources come increased tensions and new challenges. Those in authority, such as board members and program directors, have increasing demands and expectations from stakeholders. The ability to navigate these complex problems and address the dynamic challenges facing nonprofits is a necessary skill for those hoping to provide leadership to their organization.

Gain and Embrace Multiple and New Perspectives

The ability to learn, adjust, and adapt comes from a willingness to embrace new perspectives. A benefit of personal humility is in gaining and embracing new perspectives. Those who can let go of their own ideas and thoughts long enough to understand the ideas and thoughts of others demonstrate not only a strong sense of self, but also a strong sense of purpose. This dual insight into self and also understanding of purpose embodies the transitional leadership model. The model brings together both adult and the leadership development necessary for transitional leadership.

Often, people get stuck conducting business as usual and fail to recognize when a change is necessary. By embracing new and different perspectives more ideas are available to inform the change. Innovation and cutting-edge approaches have defined the 21st-century organization. For success and sustainability, the exercise of leadership must include the ability to embrace new and multiple perspectives.

Empower Strength and Action in Self and Others

Facing change requires strength. Dealing with change requires action. Those who wish to exercise leadership and navigate people through the transitional process must empower strength and action in both themselves and others. People often make the mistake of confusing action with making quick decisions. In many cases, action might include reflection or gathering information before making a quick decision. Action might include collaboration with others or soliciting help from an outside source. Taking action could be an internal process such as a board retreat to strengthen membership and develop leadership or an external event such as holding a large gala.

Whatever the action, dealing with change requires strength—the strength to act and think authentically, the strength to embrace new perspectives and communicate in a way that cultivates relationship, and the strength to be humble even in the most trying situations.

Practicing these six skills and becoming an effective transitional leader takes a willingness to learn and unlearn. Transitional leadership requires not only leadership development and organizational understanding, but individual adult development as well.

Key Terms

Authenticity: A pattern of behavior that fosters greater self-awareness and relational transparency; when a person acts in ways consistent with her or his values and beliefs.

Authority: Power that is earned or assigned by others and is accompanied by an expectation and right to perform work or a service.

Assigned Authority: Power that results from a positional role within a group or organization; assigned authority can result from being hired into a position, being voted into a position, or being appointed into a position.

Earned Authority: Power that is gained through trust, respect, expertise, or behavior; earned authority is exemplified by people such as Martin Luther King Jr. and Gandhi.

Tension: Tension is psychological and emotional strain that results from a polarization of conflicting thoughts or ideas.

Purpose: The foundation for meaningful action and outcomes.

Procedural Work: Routine tasks that are driven by procedures, such as payroll or scheduling appointments.

Transitional Leadership: Mobilizing a person or group of people to acknowledge, confront, and address a challenge in a way that effectively facilitates change and manages the transitional process.

Transitional Work: Work that is defined by change or movement from one place or position to the next. For example, job training for a new position and moving to a new city are both transitional work.

In the next section, the transitional leadership model will be applied to an actual nonprofit organization as a descriptive case. The example provided illustrates how and why transitional leadership can effectively address even the most challenging issues facing nonprofit organizations.

Exploring the Application of Transitional Leadership: A Case Study

Healthcare Foundation is a philanthropic foundation with a stated mission to promote quality health care focusing on the medically underserved, through development and education. The foundation is dedicated to improving access to basic health care, preventing violence and substance abuse, and controlling communicable diseases. One of the most controversial projects it has funded, the Clean Syringe Exchange Program (CSEP), aims to curb the spread of HIV, Hepatitis C virus (HCV), and other communicable diseases by distributing clean syringes in communities with high rates of drug-related arrests or sexually transmitted diseases. This program is controversial because some believe that CSEP increases crime in the areas where it is located, sends the wrong message to children, is immoral, or leads to further drug abuse.

Over 9 years, the foundation has exercised leadership and faced many adaptive challenges regarding this controversial project. In adaptive challenges, as described by Ronald Heifetz (1994), people need to tackle problems—problems that often necessitate changing values. The primary challenge of trying to reduce the spread of HIV, HCV, and other communicable diseases has, by far, been the most difficult adaptive challenge for the foundation. Other challenges include changing the public's cultural perspectives on injected drug users, facing political bias from the city's leadership, dealing with issues of legality for a needle exchange program, and getting other stakeholders on board to confront the issue of how to stop the spread of HIV and HCV.

The transitional leadership model was applied to help the Healthcare Foundation accomplish its mission and address these adaptive challenges of establishing a CSEP. The model suggests how an integral approach in the application of transitional leadership to the various challenges facing CSEPs and substance abuse can maximize leadership in practice. The challenge for organizations that are in favor of CSEPs is not easily fixed with technical solutions. Those who support CSEPs must lead the general population to accept, or at least tolerate the program, despite the fact that many disagree with it. The next section applies the six skills of the transitional leadership model to aid the Healthcare Foundation in accomplishing its mission.

C: Communicate and Cultivate Improved Relations

The first skill of the transitional leadership model is to communicate and cultivate improved relations. One of the first methods to develop these skills is to identify all of the stakeholders affected by and involved in the implementation of a CSEP through communication. The key stakeholders that the foundation identified were the general public, influential political legislatures, and medical professionals dedicated to reducing the spread of HIV and other communicable diseases. The foundation exercised leadership by initially financing a study to see if the general public would tolerate a needle exchange program even if it were currently illegal. They knew that they could not get a CSEP approved without the acceptance of the general public, specifically registered voters. The results from the study found that 85% of the 1,015 survey respondents were in favor of a CSEP as long as it was not in their back yard. The foundation worked to cultivate relationships with the general public, the health care community, and government to understand their feelings, positions, and agendas. The foundation knew that all three stakeholder categories had to be involved in the decision, and so staff and leaders had to know what each constituency was thinking.

In this case, a dialogue among the people involved created new ways to understand and evaluate different options for intervening with these challenges. According to William Isaacs (1999) dialogue is a mutual inquiry and a way of reflecting together both within and between people. An open dialogue is critical to the success of any CSEP and can be integral when the goal is to get the public's attention to the real breadth and depth of the challenges. The focus should be on the learning that can be accomplished, to explore the very complex and conflicted issues underlying CSEPs and substance abuse. This learning begins with communication and the cultivation of relationships.

H: Humility Within Authority and Power

The foundation had little authority regarding changing the laws surrounding CSEPs but they did have some power to fund such a program. It informed the city that support for syringe exchange programs had been given by the Department of Health and Human Services, the U.S. Conference of Mayors, and the American Medical Association, among others. Although the foundation did not have formal authority to change the laws, staff worked to collaborate with those in positions of authority. The foundation also kept the focus of attention on the facts of the issues involved, which was critical if they were going to mobilize those in authority to act. It had to keep the level of distress high enough to get the majority votes, and this had to be done every few weeks. By October 16, 2000, the City Council declared a local health emergency related to Hepatitis C and HIV, and the first CSEP was launched in the downtown area of the city. The foundation, with the help of other stakeholders, was able to influence the City Council to adopt a pilot program for a year by agreeing to privately finance the program without using government funds.

By funding the project, the foundation had the formal authority and power to decide how and where the program would be operated, but leaders knew they still had to have the support of the general population. Often, those who express humility are viewed more favorably by the people they serve (McCoy, 2009). The foundation also knew that if it tried to impose the idea that a CSEP was needed, the stakeholders would be defensive. By exhibiting humility and asking for help from the community, more was accomplished.

A: Awareness and Authenticity of Self and Others

Awareness of how one is perceived is related to behavioral change, and awareness of one's capabilities is often perceived as the beginning point of change. The foundation was aware that many members of the city council, including the mayor, were not in favor of such a program because it conflicted with their beliefs and values. These stakeholders were concerned about promoting drug use by distributing needles to those who injected illegal drugs. The foundation encountered multiple concerns from those who were responsible for protecting their constituents, and some argued that the foundation was promoting its own self-interests. To reduce anxiety, the foundation leaders were completely transparent with their actions, and they continued to solicit the feelings of others in the process. They were authentic in their actions and eventually trust was built between the various stakeholders.

N: Navigate Complex and Dynamic Challenges

Throughout the process, the foundation exercised leadership by involving the stakeholders, such as community leaders in the medical field, the mayor, the general population, reformed people who had injected illegal drugs, and the police department. The foundation eventually helped to convince the City Council to approve the formation of a committee to look into the possibility of having a CSEP. The committee included: the chair of the school of medicine, the office of the mayor, the city manager's office, the police department, the city attorney's office, and the health care association. The people who worked on this committee were committed to finding solutions for how to reduce the spread of communicable diseases, especially HIV and HCV, within the city.

Many foundations in the area pooled their resources to conduct studies, create public awareness of the spread of communicable diseases, and implement public education programs that would encourage the legislators to pass a law that would permit CSEPs. With the help of many foundations and community leaders, a new California law, AB 136, was passed in January 2000 that decriminalized needle exchange programs operated by public entities if the city or county declared a local health emergency. Foundation leaders realized that they had to carefully navigate the numerous challenges they encountered by engaging the right people to help address and solve the problem of implementing a CSEP. The foundation achieved this by mobilizing all those involved to work toward having a collective sense of mission.

For many transitional leadership efforts, there is an assumption that community, organizational, or institutional transition occurs when a critical mass of individuals acts collectively to change norms and cultures of people and organizations as well as changing policies and practices of institutions and systems. The foundation was successful in bringing together all constituencies to address the concerns and eventually implement a CSEP.

G: Gain and Embrace Multiple and New Perspectives

Gaining and embracing multiple and new perspectives begins with how problems are framed (defined). By framing the problem as society's problem, showing how society can benefit from helping solve this problem, and acknowledging that people cannot look the other way, the foundation helped to get the public more actively involved in the implementation of a CSEP. Getting people to stop sharing dirty needles and syringes is just one way to understand and frame the problem of slowing the spread of HIV and HCV. Some in the community felt that the real problem was how to get people to stop injecting illegal drugs and/or using dirty needles. Several statistical reports related to drug use and abuse note that many people are unable to reconcile their actual life with their expectations of what it could or should be. A chasm grows between how an individual thinks things should be and how they actually are. More than 21.6 million Americans fill that chasm with substances like drugs and alcohol. They have come to rely on these substances to help escape a reality that they find untenable.

Another way to frame the problem is to understand that someone who injects drugs could be someone like us; then, we may begin to see the similarities and relate to drug users as human beings and not as burdens to society. Donald Schön (1983) writes that how one frames a problem often depends on the words or images used to describe the problem. Understanding the underlying assumptions initially can aid in problem setting and problem solving. Still another way to frame the problem is describing those who use drugs as those who have a disease: a disease that is treatable, preventable, and perhaps curable. In essence, it is what Senge (1990) writes about when he discusses the concept of mental models. Senge states that if we can manage our mental models through "surfacing, testing, and improving our internal pictures of how the world works, . . . it can lead to a major breakthrough for building learning organizations" (p. 109).

New insights into a problem may still fail because we see how the world works through our personal experiences. We need to see things from different perspectives if we are ever going to understand why people do things that they know are risky and could kill them. Rather than address the problem at the national level, the foundation framed the problem as a societal problem within the community. Leaders and staff used their scientific expertise and compassion for those with the disease to address the problem as something that required attention to better protect the local population.

E: Empower Strength and Action in Self and Others

The foundation realized that it alone could not create acceptance. It had to empower others, including the general population, community leaders, and health care professionals, to act to reduce the spread of HIV. The foundation did this by managing the tensions between the stakeholders so that the issue did not get overwhelming, but the issue was kept at the forefront.

The foundation faced this challenge and exercised leadership by using the experience of others who had implemented programs in their cities, researching specific areas of San Diego that were known areas of drug-related crimes, including council members who represented those districts and involving the people living in the communities to help decide on an ideal solution for the location of the site. After several months, all factions involved reached a consensus to let the CSEP be mobile. The foundation provided a recreational vehicle that was converted into a mobile CSEP site similar to mobile blood donation vehicles. The foundation empowered others to help solve the problem, which ultimately led to a successful launch of a CSEP in the city.

Summary

Leadership is a process that is ultimately concerned with fostering and creating change. Transitional leadership is a phenomenon that is shared more widely in the system, so when we speak about leadership, we are talking about transitions for both individuals and the system. The ideas presented here describe the importance of developing the skills necessary to foster successful transitional leadership. To take nonprofit organizations through the challenge of a struggling economy and continue to uphold their social mission, those in authority roles and everyone involved in the organization will need skills to manage and address change.

Leadership at its core is about change. Leadership is not managing or controlling a group of people or directing a meeting; rather, the activity of leadership involves navigating the transitional process in a way that helps people and the organization remain committed to their purpose and recognize what needs to be done. In essence, leadership is helping people through change.

Leadership will not always look positive. Not always will leadership include motivation and inspiration. On the contrary, leadership often includes asking tough questions and facing truths that have troubling and negative aspects to them. The commitment to organizational purpose helps explain how to best deal with those troubling truths in a way that honors and validates the organizational philosophy.

There is not usually one clear answer when exercising leadership. However, when applying the transitional leadership model and using the six skill sets described above, a possible best right answer will surface. Those hoping to be among the next generation of nonprofit leaders will need a process that develops both the skill of leadership and the skill of self. The transitional leadership model meets that requirement and may provide the necessary process for addressing nonprofit leadership challenges.

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Staff Leadership

Team-Building and Staff Development

Lilya Wagner

Philanthropic Service for Institutions

More than 200 years ago, President Thomas Jefferson asked Meriwether Lewis to cross the Mississippi River to look for an all-river route to the Pacific Ocean. At that time, no one knew the size of the continent or what type of terrain existed in the wilderness. Lewis chose his army buddy, William Clark, as his second-in-command. Both were in their early thirties. They set out in 1803 with 35 adventurers. Lewis had been a soldier, a plantation owner, and a personal secretary to President Jefferson, who spotted the leadership characteristics and charisma of the young man. Both Lewis and Clark exhibited leadership skills in accomplishing a bold and valuable task.

- They had to explore and chart unmapped territory. Lewis spent 2 years acquiring scientific skills to do this.
- They had to be optimistic, especially around others because they faced physical and emotional stress during the expedition. In particular, the physical exertion could strain the limits of any human.
- They had to be courageous but not foolhardy. They took risks but did so intelligently. Instead of attacking Native American tribes who were hostile, they learned to coexist. They never allowed pride to overshadow good judgment, and they remained focused on the enterprise at hand.
- They were honest and objective. Although Lewis was known for his proclivity for whiskey, he also had a reputation for always being honest and objective. Jefferson said he had "a fidelity to truth so scrupulous that whatever he should report would be certain as if seen for ourselves" (quoted in Ambrose, 1996).

Lewis and Clark's leadership skills point out that many of our theories and principles about leadership are timeless. The roots of current leadership best practices for nonprofit organizations are part of a long time-honored tradition, but one that is revisited and revised as our knowledge of "what works" increases.

The Evolution of Leadership Theory

Leadership knowledge is regularly tested and challenged, therefore causing some principles to be modified or even discarded. This is an ongoing, dynamic process, and one that can cause discomfort to those who like the status quo. Professionals who aim toward nonprofit leadership, or find themselves in such positions regardless of their career plans, are usually willing and even eager to learn from traditional practices while moving ahead with new perspectives. Their attitude is probably expressed by George Bernard Shaw, who wrote, "All progress is initiated by challenging current conceptions, and executed by supplanting existing institutions."[1]

In the 21st century, leadership theorists have done much to challenge conceptions and change their own and others' thinking about leadership. But without understanding the underpinnings of our knowledge of leadership, we can hardly move ahead in our professional growth. John W. Gardner, eminent professor, corporate leader, adviser to presidents, writer, and a thought leader on leadership, wrote, "The first step is not action; the first step is understanding. The first question is how to think about leadership." In his classic book, *On Leadership*, Gardner (1990) wrote, "Leadership is the process of persuasion or example by which an individual (or leadership team) induces a group to pursue objectives held by the leader or shared by the leader and his or her followers" (p. xiv).

Gardner (1990), while holding onto time-honored leadership principles and theories, also pointed the way to understanding how leadership functions, and he distinguished leadership from status, power, and official authority. He listed nine tasks that he believed were the most significant functions of leadership:

- Envisioning goals
- Affirming values
- Motivating
- Managing
- Achieving workable unity
- Explaining
- Serving as a symbol
- Representing the group
- Renewing

Gardner was one of those at the forefront of thinking about how leadership means collaboration and motivation, especially in the nonprofit sector and for the nonprofit leader.

Gardner's theory certainly stands in contrast to the hard-hitting expressions of approximately the same era, such as the one by Vance Packard, who wrote *The Pyramid Climbers*, "Leadership appears to be the art of getting others to want to do something that you are convinced should be done" (quoted in Kouzes & Posner, 1987). While Gardner in particular spoke about the art of persuasion, Packard's ideas seem to hark back to times when leadership was synonymous with power and was transacted from the top and nowhere else.

Kouzes and Posner (1987) wrote that those who accept the leadership challenge must also challenge the process because leadership is an active, not a passive process. Leaders are pioneers like Lewis and Clark—people who are willing to step into the unknown, to take risks, to innovate, to experiment, to find new and better ways of doing things, to recognize good ideas, to share a vision. Leaders challenge the process as they experiment and take risks while also searching for opportunities. Leaders have a shared vision for the future and also foster collaboration as they model the way. True leaders enable and strengthen others as they themselves set an example, and they recognize the contributions of the rest of the team.

Kouzes and Posner (1987) believe that leadership is not mystical and ethereal, something that can't be understood by ordinary people.

> We have discovered hundreds of people who have led others to get extraordinary things done in organizations. There are thousands, perhaps millions, more. The belief that leadership cannot be learned is a far more powerful deterrent to development than is the nature of the leadership process itself. (p. 13)

Recent and Current Theories of Leadership: Their Effect on the Team

Effective leadership combines individual traits and competencies with the demands of the situation in a particular group or organization. Most successful leaders adhere to group norms and demonstrate their leadership by helping the group, particularly staff, achieve its goals. Effective leadership is the successful influence of the leader, which results in goal attainment by the influenced followers.

Leaders are agents of change whose acts affect other people more than other people's acts affect them; they are not dictators who force others to do what they themselves want done. David D. Chrislip and Carl E. Larson (1994), who wrote *Collaborative Leadership: How Citizens and Civic Leaders Make a Difference*, identified the skills for a new kind of leadership. They stated that traditional forms of leadership are tactical, positional, and competitive. They suggest a new type, that of collaborative leaders. The primary role of collaborative leaders is to promote and safeguard the process. Four principles characterize collaborative leadership:

1. *Inspire commitment and action.* Collaborative leaders catalyze, convene, energize, facilitate others to create visions and solve problems. They create new alliances, partnerships, forums.
2. *Lead as peer problem solver.* Collaborative leaders do not do the work of the group for the group. Ownership of the process is shared. They are active and involved. Their role is to serve the group and the broader purpose for which it exists. They rely on credibility, integrity, ability to focus on the process.
3. *Build broad based involvement.* They involve a relevant community of interests and include more people rather than fewer.
4. *Sustain hope and participation.* They convince participants that each person's input is valued; they sustain confidence, sustain commitment to the process.

The nonprofit leader and his or her staff can relate to the above principles because nonprofit work involves inspiring others and motivating their involvement in programs and organizations, solving problems as members of teams, and envisioning hope for a better future.

In a capstone publication of the Kellogg Leadership Studies Project (1998), a 4-year enterprise that brought together leadership scholars and practitioners, a chapter titled "Ringing Out the Old, Bringing In the New" by Barbara Kellerman posed the following assumptions:

> Leaders matter a lot.
>
> Followers matter as much.
>
> Leaders and followers working together can create change.

There is no simple formula that guarantees success as a leader. Leadership development requires dedication, self-motivation, a desire to learn, and experience. Peter Drucker

(1993, p. 53) stated that the person who focuses on his authority and considers those whom he supervises as subordinates is not a leader, no matter how prestigious his title or rank. In contrast, the person who focuses on contribution and results, and who takes responsibility, is top management, no matter what the title. James Burke, former chairman of Johnson & Johnson and leader of Partnership for a Drug-Free America, maintains that the hierarchical organization doesn't work anymore. He said,

> The whole idea of hierarchical management with a general at the top and then several colonels comes out of the military and was transplanted into government as well as into business institutions. This pyramid organization never properly fit the needs of business, or any other institution. (Quoted in McFarland, Senn, & Childress, 1993, p. 51)

Charles Handy, who for many years taught at the London Business School, stated that the "follow me" type of leadership was old-fashioned, and he coined a new term, *distrib uted leadership.* He used the analogy of a rowing crew, which goes backward at high speed, without speaking to each other. Why does that work? An oarsman explained.

> In the race, on the job, it is the little person at the back of the boat, the one who can't row, who is in charge. He, or often she, is the task leader. But there is also the stroke, who sets the pace and the standard we all must follow. Off the river, how ever, the leader is the captain of the boat. He or she is respon sible for choosing the crew, for our discipline, and for the mood and motivation of the group, but on the river the captain is just another member of the crew. Finally, there is the coach, who is responsible for our training and development. There is no doubt who is the leader when the coach is around. (Quoted in Hesselbein, Goldsmith, & Beckhard, 1996, p. 7)

There isn't one leader, and the role shifts around, the rower explained.

Putting Leadership Into Practice

An analogy may be appropriate to further understand the concepts presented above. In the life of a Native American tribe, the water carrier held one of the most important and respected positions. Water, like food and air, is essential for survival. What does it mean to be a water carrier for a modern-day nonprofit organization? Water carriers bring commitment to their organizations, and that commitment extends to and strengthens the quality of an entire organization. Water carriers transfer the essence of the institution to their colleagues, staff, superiors, constituents, donors, prospects, and communities at large. Water carriers help us see beyond the ephemeral.

Today's nonprofit leaders are the water carriers of our day. The life of the organization often depends on their ability to exert appropriate leadership. The following represent only a sampling of what the water carriers of nonprofit institutions must do:

- Examine, evaluate, and monitor programs
- Be alert to new situations
- Seize opportunities
- Keep abreast of trends and developments in the field which the nonprofit represents
- Work with the president and board
- Develop leadership among volunteers
- Identify new potential in leadership

They must also ask and answer, in part, the following questions:

- Why are we what we are?
- What is important to us?
- What relationships are valuable and valued?
- Are we committed to problem solving?
- What legacy will we leave for our organization and its heirs?
- What is the need for community, internal and external?
- Can we and do we manage change?

Nonprofit leaders perform many roles, and these roles are as varied as they are challenging. Consider the following descriptions (Nanus & Dobbs, 1999, pp. 18–19):

- *The leader as visionary and strategist.* Nonprofit leaders move the organization in the right direction and work with others in the organization. They exemplify and share a vision for the common good.
- *The leader as politician and campaigner.* Leaders serve as spokespersons, advocates, and negotiators for the benefit of their organizations and constituents.
- *The leader as coach.* Leaders are team builders. They create hope and confidence; they empower and inspire, they help others learn, grow and realize their full human potential.
- *The leader as change agent.* Leaders position the organization for the future, make critical choices or influence others' decisions.

Ron Heifetz (1994), long respected as a significant authority on leadership, wrote that the requisites of true leadership are being able to identify challenges and focus people's attention on these, confront issues while also being able to pace the rate of change and keep attention focused on what is truly relevant. Doing this requires poise, inner discipline, and courage, Heifetz says.

Jeffrey Preffer (1993), professor at Stanford University's Graduate School of Business, has studied the use of influence and power and writes about what distinguishes those who achieve great influence from those who don't. His studies show that six characteristics make the difference:

1. *Energy, endurance, and physical stamina.* This enables the leader to outlast the opposition, provides a role model, signals the importance of the task.

2. *Focus.* Keep eye on the ball. The leader cannot afford to be unduly distracted by irrelevancies.

3. *Sensitivity to others.* This means understanding which people are in their sphere of influence, what their positions on issues are, and how to best communicate.

4. *Ability to tolerate conflict.* Have a willingness to fight if necessary.
5. *Submerging one's ego.* The most successful and greatest leaders are those who subsume their own ego and focus attention on the team, the organization, and ultimately the constituents of the organization.
6. *Flexibility.* Change course if necessary and adopt new approaches to achieve goals.

Vince Lombardi, one of the great football coaches, was known more for his philosophy of "Winning isn't everything; it's the only thing" (perhaps an apocryphal statement) than for his leadership style and skills.

> The myth of Lombardi pictures him as an iron willed, com mand and control manager, but in reality, his style was based on the concept of freedom through discipline: "You practice and refine and perfect something so that it becomes second nature to you, and once you have that discipline, you can react more freely when obstacles or troubles arise."
>
> . . . When Vince Lombardi led the Green Bay Packers onto Lambeau Field on December 31, 1967, the team faced a tough opponent in Tom Landry's Dallas Cowboys. The Packers were aiming for their third consecutive NFC championship and had a chance of winning their second consecutive Super Bowl. However, nobody on the field at the beginning of that day realized he would be playing on the most memorable games in the history of the National Football League. (Fandray, 2004, pp. 27 28)

As the story goes, the temperature that day was inhospitable at 13 degrees below, but the "ice bowl," as it would later be known, was only a sidebar to a historic game. In the fourth quarter, with only 16 seconds left, the Cowboys were leading 17–14. Coach Lombardi called in the quarterback, Bart Starr, and said, "Run it, and let's get the hell out of here." Starr then crossed the goal line in a daring move, and the Packers went on to Miami where they won in Super Bowl II. Lombardi later admitted he didn't know what Starr was going to do, but he trusted the quarterback's judgment because it was based on discipline.

When the myths of Lombardi are stripped away, we see a great inspirational leader who stood for passion, integrity, discipline, and a willingness to adapt to changing circumstances. These are the keys to effective leadership. Success is never guaranteed, of course, but as Lombardi would probably tell you, you couldn't find a better place to start than with discipline.

Desirable and Required Leadership Competencies

Nonprofit leaders must define what they stand for in our leadership practice. The themes and topics can vary greatly in number, but here are those that may be most significant for professionals to acquire.

1. *Leading for loyalty.* Loyalty of colleagues, subordinates, management, donors, constituents, and any others with whom the leaders comes in contact cannot be bought. It must be earned, and the first way to do that is to preach what you practice.[2] Holding the right values isn't enough. Leaders need to clarify and share them with all, and to do so in words and deeds. Providing rewards for the right results is another principle of loyalty. Recognition that is appropriate for a staff member causes an increase in loyalty. Finally, leaders listen carefully and talk straight. This improves two-way communication, which is critical for two-way loyalty. High standards of considerate behavior don't impede progress. Through loyalty to high ideals, leaders become worthy of loyalty from their staff.

2. *Leading for innovation.* According to a study by Rosabeth Moss Kanter (2004), those who foster innovative growth-oriented accomplishments share a set of personal qualities—thoroughness, persistence, discretion, persuasiveness, and comfort with change. Innovators generally aren't firebrands or revolutionaries. They work through existing networks to uncover opportunities, build coalitions, and make change happen.

3. *Leading to build.* In the for-profit world, there is often an outcry that we're lacking a new generation of leaders. Those companies that grow and nurture new leaders are known as leader-builders. In the same way, nonprofit leaders must ensure a legacy of professionals and therefore nurture and mentor newer or younger generations who can also be leaders. Leader-builders have a strong vision of the future. They display remarkably consistent behaviors, regardless of their level in the organization. There is continuous development and replenishment of the leadership talent pool and pipeline. There is a strong emphasis on the identification of specific leadership competencies that support the organization's mission and strategy, and there is strong commitment to continuous organizational renewal.[3]

4. *Balancing humility and assertiveness.* No one likes an arrogant braggart. In fact, most of us perversely like to see a brash egomaniac brought to his or her knees. Jack Welch, president of General Electric, was seen by some as a high-profile, highly successful corporate leader, but also an aggressive personality who was known to say "get better or get beaten." Certainly, he was an exceptional achiever, but when he ran into personal problems, some of the admiration the public had for him evaporated quickly. According to Badaracco (2002), author of *Leading Quietly*, modest, subtle, yet tenacious actions often have the greatest impact.

5. *Facilitative leadership.* "Leaders often help create the consequences they try to avoid. They seek high-quality decisions, but find out that information was not shared with them. They seek commitment from others, but get compliance or resistance. They ask the people who report to them to be accountable and take initiative, but find themselves

having to resolve their staffs' problems. In each of those examples, leaders unknowingly contribute to the consequences they complain about" (Schwarz, 2002, p. 52). If people's motives are questioned when they hold differing views from the leader's, if negative emotions are expressed, if a leader acts as if his or her reasoning is foolproof and strategies are not shared, that leader causes others to become defensive and the level of trust falls. By contrast, a facilitative leader does just the opposite. Such a leader believes in free and informed choice and helps people make the right choices because they have information, not because they are manipulated or coerced in a decision. The result then is commitment; people do what is necessary to implement the decision because they believe it's the right one. A facilitative leader believes in core values and suspends judgments so that other viewpoints can be heard. There is empathy for others, as well as accountability for actions. Becoming a facilitative leader means changing how you think in order to change the consequences you help create.

6. *Emotional intelligence in leadership.* Daniel Goleman is credited with bringing the term to public attention. He maintained that, while necessary, traditional qualities associated with leadership, such as determination, intelligence, and vision, weren't enough. He stated that effective leaders must have a high degree of emotional intelligence, which included self-awareness, self-regulation, motivation, empathy, and social skill (Goleman, 2004). Goleman maintained that the five components of emotional skill at work complemented intelligence and technical skill and that the addition of emotional intelligence leads to effective performance. First, we should have the ability to recognize and understand our own moods and emotions and how these affect others. This realistic self-assessment allows us to move toward self-regulation, the second component. We have the ability to control or reflect on our moods and attitudes, and we think before we act. This component fosters an openness to change and a comfort with ambiguity. We are then motivated to work for reasons that go beyond money or status, and we pursue goals with energy and persistence. We can have optimism even in the face of failure. Moving from motivation, we acquire empathy, the ability to understand the makeup of others' emotions, and become skillful in treating people according to their reactions. This includes cross-cultural sensitivity and expertise in human relations and communication. Finally, we become socially skilled, proficient in managing relationships and building networks through an ability to find common ground and build rapport. This makes us most effective in persuasiveness, building teams, and leading change. "It was once thought that the components of emotional intelligence were 'nice to have' in business leaders. But now we know that, for the sake of performance, these are ingredients that leaders 'need to have,'" Goleman (2004, p. 91) says.

7. *Ethical practice.* Max De Pree (1992) asks, "Where do ethics and leadership intersect?" and then goes on to answer his own question, "Believe me, they do intersect, all the time." Violations of ethics by major corporations in the early 21st century brought much attention to the ethical beliefs of a leader and commitment to the organizations. Accountability and transparency also contribute to ethical practice. "A leader's commitments and beliefs are part and parcel of the same thing," De Pree concluded. "A true leader cannot commit herself without beliefs" (p. 139).

8. *Diversity and multicultural challenges.* An immediate caveat is necessary here. These topics merit entire volumes of their own, and many have been written. However, a brief mention of this topic is included as a reminder that leadership is multidimensional, and these dimensions include all the differences we find in gender, culture, ethnicity, and nationality. In a volume reporting on a study of women and leadership, Astin and Leland (1991) stated, "In the last two decades the study of women has produced an impressive body of new knowledge and has contributed to the development of new paradigms on leadership" (p. 2). This lengthy study represented a break from traditional models and studies and redefined who is a leader beyond her position. It laid the groundwork for increasing attention to the special qualities women can bring to leadership.

Building on these types of foundations, McFarland and colleagues (1993), authors of *21st Century Leadership: Dialogues With 100 Top Leaders,* included an entire section on *Women in Leadership: Embracing Diversity*. They state,

> Women and diverse ethnic people are crucial to the new lead ership currency which holds no prejudices on gender, race, or creed. The top leaders we interviewed clearly indicate that now is the time to avail ourselves of the unique contributions of women and diverse people to bring them into greater positions of authority and to effectively empower and educate them to take leadership roles. (p. 225)

In addition to these perspectives, there is an increasing global consciousness in all sectors and societies of the world, therefore resulting in increasing diversity in our daily lives. "Leadership practices that recognize diversity as a positive asset of organizations and communities will need to be employed. New systems thinking will be required to design processes that increase inclusiveness and diversity in decision making" (Kellogg Leadership Studies Project, 1998, p. 42). In short, everyone counts. We can't afford to overlook talent, including in women and diverse populations. We need to build organizations that honor every individual.

9. *Leading from mission.* The substance of any leader's job must be grounded in the deep understanding of the organization's mission. It can't be just lip service or a recitation of nice sounding words.

> The effective manager/leader must understand the mission, even help shape it, articulate it convincingly and inspiringly, identify the ongoing tasks important to achieving the mission,

> and discipline the organization to always concentrate on those tasks that contribute to progress toward the mission. (Neuschel, 1998, p. 84)

When writing about organizational alignment and focus, John Gehrke (1998) stated that there are four essential elements in every nonprofit organization, and the first of these is mission and vision. Gehrke believes that there are internal and external perspectives of each element.

> Vertical alignment describes the staff's understanding of the organization's mission/vision. This alignment is attained when all staff members understand their individual role in the pursuit of the organization's mission. . . . Horizontal alignment references the organization's strategies that are used to serve others. (p. 39)

This is a good illustration of the need to reflect, both for a personal mission and for the overall mission of the institution, because that is what drives our willingness to serve and succeed.

10. *Survival versus vision.* We live in turbulent times. Everything in our world is changing fast and not always in expected ways. The nonprofit leader is often charged with ensuring the organization's survival and, as a consequence, does things the way they have always worked. This may produce sustainability but also a status quo. Excitement may be lacking, and the organization becomes stagnant. As Jonathan Swift said, "Vision is the art of seeing things invisible." [4] The words of Warren Bennis (1996), a leader among leadership theorists, best summarize these ideas. "Today's leaders must have more than just absolute power to win respect and followers. . . . They must be willing to inspire a more collaborative approach that lets them tap into the endless source of ideas, innovation, know-how and knowledge of the people they lead" (p. 13).

Picking Team Members and Building Teams

In the May 2009 issue of *Leading for Results,* a section on collaboration states, "You can't always snap orders and expect instant obedience, even when you're nominally in charge of a project or a staff. Collaboration can be the smarter strategy in many cases."[5] This 21st-century advice is certainly fundamental to the concept of team building, a management principle that is now readily acknowledged as being a critical factor in successful organizations. As noted earlier in this chapter, absolute power from the top has long been discredited as the optimal behavior for healthy nonprofits. While naturally there must be someone about whom it can be said, "the buck stops here," both research and conventional wisdom strongly indicate the wisdom of shared leadership and team building and urge its implementation. For example, an article in the *Stanford Social Innovation Review* stated that shared leadership is one of the traits of high-impact nonprofits. Researchers studied 12 organizations and learned that charisma didn't necessarily involve ego and that shared power and distributed leadership contributed to high-impact nonprofits. Empowering others to lead not only built strong teams but also had long-term positive effects on successful organizations (Grant & Crutchfield, 2007).

In *BusinessWeek,* Jim Collins (2009) explained in a sidebar the dynamics of leadership-team behaviors. On one side of the scale, he listed the characteristics of "teams on the way down," which includes factors such as leaders who shield themselves from unpleasant facts, leaders who hold strong opinions without providing supporting data, team members who agree to a decision but don't act in a unified way to make the decision successful, and team members who seek credit for themselves rather than the group or organization. These are some of the characteristics of organizations he describes in the article itself, "How the Mighty Fall." Conversely, teams on the way up face grim facts instead of glossing them over or ignoring them, bring evidence and solid arguments to a discussion, stand unified behind a decision once made and work to make it succeed, credit others for success yet enjoy confidence and admiration of peers, argue and debate to find best answers, and deliver exceptional results while accepting setbacks and taking responsibility for mistakes.

Collins (2009) went on to describe how to get the right people onto a team and listed six important traits. The right people fit the company's core values, don't need to be tightly managed, understand they don't have "jobs" but have responsibilities, fulfill their commitments, are passionate about the company and its work, and display maturity. These ideal traits, while perhaps difficult to achieve in reality, can serve as a goal for nonprofit leaders in building the right teams that bring about successfully managed nonprofits.

Another way to understand the significance of collaboration is to consider obstacles to getting things done, and once we do that, the benefits of collaborative leadership surface again. One of the major obstacles is the "silo" mentality in organizations, which hinders coordination. Other points include disengaged employees, lack of clear accountability, lack of organizational agility, lack of trust, and being trapped in the status quo—all factors that can be improved if not entirely solved through shared leadership, collaboration and cooperation, and the concept of building a team (Sull & Spinosa, 2007).

Learning Leadership

What can be predicted for the future of leadership in the nonprofit organization? As Clark Aldrich (2003) put it when writing about "The New Core of Leadership,"

> Getting two advocates to agree on a definition of *leadership* seems impossible. Covey, Blanchard, PDI, DDI, Kotter, and AchieveGlobal (just to name a few) compete tooth and nail. Many consultants have tried (and failed) to turn leadership into

> a cookbook style skill, handing out recipes for anyone to fol low. Meanwhile, thousands of academics have heaped layers of philosophical debate that make leadership undefinable, almost magical. . . . Now, it seems, everything good is due to leader ship and everything bad is due to lack of leadership. (p. 34)

After this mild diatribe, Aldrich (2003) says,

> But, in fact, the leadership planets may finally be aligning. Across the wealth of content out there, a common consensus about leadership is emerging. Experts may disagree on the fringes, but they're remarkably aligned on the core. Like qual ity, leadership is usable, diagnosable, and, yes, teachable. (p. 34)

Perhaps most encouraging for the nonprofit professional who is an organizational leader is the fact that leadership is teachable and, furthermore, "learnable." As the venerable Peter Koestenbaum stated (in Labarre, 2000, p. 224), the leadership mind is spacious and can handle the ambiguities of this world, conflicting feelings and contradictory ideas. He said that progress in leadership development requires commitment to two things. The first is the need to understand ourselves better, particularly in the philosophical sense of understanding what it means to exist as a human being in the world. The second is understanding the need to change habits of thought: how we think, what we value, how we work, how we connect with people, how we learn, what we expect from life, and how we manage frustration. Changing those habits means changing our way of being intelligent and also means moving from a nonleadership mind-set to a leadership role.

In the epilogue of his book, *Leading Without Power: Finding Hope in Serving Community*, Max De Pree (1997) describes the seemingly hopeless summer of 1941, as the German army approached Leningrad. The staff of the Hermitage Museum packed up tens of thousands of paintings and sculptures, antiquities and treasures, to be shipped east, away from the Germans and the upcoming siege. The staff left the empty frames and pedestals in their proper places in the museum as a sign of their conviction that someday they would be able to restore the Hermitage and its priceless collection of art. Although they were losing their art, they were determined not to lose hope.

The German armies surrounded Leningrad for more than 2 years, and the Russians endured that long and arduous time with little to eat and often under attack. The staff of the Hermitage and their families moved to the basement of the building, determined to save it. Russian soldiers and citizens came regularly to help clean up the damage done by the artillery. As a way of saying thank you, the staff conducted tours of the museum for these people. Of course, the art wasn't there. Pictures show the Hermitage curators conducting tours, with soldiers and citizens standing in front of empty picture frames and forlorn pedestals. The curators described from memory and in great detail the art, filling in the blank spaces in the wonderful museum with their own dedication, commitment, and love.

This exemplifies vision, service, commitment, and leadership. This is what it means to see what others may not see and move to the potential of the organization's and individual's fulfillment.

Again, quoting Peter Koestenbaum (in Labarre, 2000),

> Some people are more talented than others. Some are more edu cationally privileged than others. But we all have the capacity to be great. Greatness comes with recognizing that your potential is limited only by how you choose, how you use your freedom, how resolute you are, how persistent you are in short, by your attitude. And we are all free to choose our attitude. (p. 23)

Notes

1. George Bernard Shaw, as quoted in *Thoughts on Leadership*, The Forbes Leadership Library (Chicago: Triumph Books, 1995), p. 112.
2. The principles discussed here are adapted from Reichheld, 2001.
3. Adapted from Yearout, Miles, & Koonce, 2000.
4. Jonathan Swift in *Thoughts on Various Subjects; on Miscellanies,* published in 1711.
5. Train yourself to collaborate with your associates is adapted from SelfGrowth website, *Leading for Results,* May 2009, p. 4.

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Human Resource Leadership and Management

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The management and leadership of human resources is one of the most pressing and important concerns for all organizations. Organizations are only as good as the individuals that compose them and the leadership and management skills that shape and direct those individual contributions. The management of human resources is even more pressing in the nonprofit sector because of the importance of the missions that nonprofit organizations serve. This chapter examines the legal, management, and leadership concerns that currently face the nonprofit sector.

The idea of a formal human resource management department is often associated with large organizations that have many employees and with formalized processes for benefits and leave. The reality for many nonprofit organizations is much different simply because of the nature of the sector itself. Nonprofit organizations tend to be much smaller and less formal than organizations with formal human resource departments, but they nevertheless need to perform the functions embodied by formal human resource departments. Human resources practices apply to almost all organizations, including those that rely mainly on volunteers to accomplish their missions. While some of our discussion will revolve around those organizations with paid employees, concepts such as motivation, leadership, and diversity will apply to all organizations, regardless of size or formality.

Human resource management, rather than being a particular department or set of policies, is a set of coherent and strategic management activities intended to make the most of the talent in an organization. In this chapter, we will examine a variety of subjects related to human resource management in all sectors including pay, motivation, leadership, and legal issues related to human capital. In addition, we will also discuss topics that are unique to human resource management in the nonprofit sector, including the management of volunteer resources, mission attachment, and differences in the nonprofit workforce.

Those responsible for human resource management in smaller organizations can be in a variety of positions, including executive directors, chief executive officers, program managers, or human resource managers (Ban, Drahnak-Faller, & Towers, 2003). The lack of formalized human resource functions in many organizations is likely linked to the constraints placed on organizations because of limited funding for overhead and management functions. These constraints may ultimately limit the ability of many nonprofit organizations to make the most of their human resources and effectively manage legal and ethical risks.

Paid Employees

The U.S. nonprofit sector is an increasingly important part of the U.S. economy. In 2005, about 1.4 million nonprofit organizations were registered with the Internal Revenue Service (IRS), accounting for more than $1.6 trillion in revenue annually (Wing, Pollack, & Blackwood, 2008, p. 20). It is estimated that the nonprofit sector employed 12.9 million employees and accounted for 8.1% of all wages paid in the United States during 2005. The growth in the number of nonprofit sector employees between 1997 and 2001 was estimated at 2.5% (Weitzman, Jalandoni, Lampkin, & Pollack, 2002). The number of nonprofit employees over this time period grew faster than the number of employees in the public and for-profit sectors.

In 2001, the largest subsector in terms of number of paid employees was the health services subsector, with 41.9% of all paid nonprofit employees (Leete, 2006, p. 160). Three other subsectors hold the bulk of the paid nonprofit employees, with education and research at 21.9%, social and legal services at 18.3%, and religious organizations with 11.8%. The remaining subsectors make up the remainder of the sector with civic and social organizations contributing 3.8%, arts and culture 1.9%, and foundations 0.3%. The largest changes in terms of sector employment have been seen through an overall increase in the number of employees in social and legal services and a decline in employees in religious organizations.

The shift in employment between the subsectors reflects the expansion of social services that has resulted from increased government contracting out to deliver social services. This has led to rapid growth in both the number and size of social service organizations. In addition, the requirements placed on nonprofit organizations through governmental contracting have also altered the kind of employees in the nonprofit sector. Today's nonprofit sector is more professionalized and more formal than the nonprofit sector of the past. One example of the impact of this increased professionalization is that nonprofit sector employees tend to have a slightly higher educational level than the general labor force (Leete, 2006). About 69% of all nonprofit employees had some college or more, compared with 45.6% of for-profit employees.

A few other unique employment patterns persist when examining paid employment in the nonprofit sector. The proportion of women who are employed in the nonprofit sector (67%) is greater than the public sector (49%) and the business (44%) sector. While the nonprofit sector is substantially more diverse in this respect, the sector is slightly less diverse in terms of employment of racial and ethnic minorities in comparing the nonprofit to the for-profit sector; 16.7% of nonprofit employees are non-white, compared to 18.6% of business employees (Leete, 2006). In addition, the nonprofit sector also employs a larger proportion of part-time and temporary workers than other sectors.

A final area that makes the nonprofit sector unique in terms of human resource management is the relatively high rate of turnover. Nonprofits report a 3.1% annual rate of employee turnover in comparison to 2.7% for business and 1% for government (Cappelli, 2005). This suggests that turnover is a significant challenge for the sector and may lead to increased personnel costs and other issues for organizations. To a certain extent, high turnover in professional positions is normal because small nonprofit organizations offer little opportunity for advancement, and employees must often change organizations to advance (Ban et al., 2003). This is especially true for executive directors and development personnel, who mainly advance by moving to larger organizations over the span of their career. However, high turnover rates in other positions in the nonprofit sector likely result from burnout due to work on difficult problems and with scarce resources (Gazley, 2009; Light, 2002).

Compensation in the Nonprofit Sector

The most recent estimate (2005) of average nonprofit employee compensation was $34,339 annually (Wing et al., 2008). This average does not adequately describe the wide range of pay levels by profession. The highest wages are paid to those who work in the areas of finance, insurance, and utilities. These organizations operate in direct competition for talent with the public and nonprofit sector and typically require high levels of specialized skills and training. The lowest annual compensation levels in the nonprofit sector are paid to those who work in accommodations and food service industries. The professions that report the lowest annual compensation levels include many organizations that hire seasonal employees, such as camps.

One area of rich debate surrounding the nonprofit sector involves the issue of compensation, specifically, how to explain the overall lower compensation in comparison to the public and for-profit sectors (Leete, 2006). Several theories have been proposed to explain the difference in pay. The two major competing theories offer very different accounts of the nonprofit sector: the donative labor hypothesis and the differential conditions hypothesis.

The donative labor hypothesis suggests that nonprofit employees accept lower wages than their for-profit counterparts because of the intrinsic rewards they receive from working for an idealistic or moral goal (Frank, 1996). This theory suggests that nonprofit sector organizations produce different goods or different qualities of goods than similar organizations found in the for-profit sector. For example, aid workers may be willing to accept lower pay because they believe that their work is important, and they find working to help those in need is rewarding in ways that are more important to them than money.

The second hypothesis offered to explain wage differences between sectors suggests that nonprofit organizations pay differently because of different conditions or pressures that exist in different sectors (Leete, 2006). This suggests that the work characteristics of the sector are the primary determinants of compensation. In other words, sector pay is lower because the types of work and skills are in less demand.

More recent research suggests that compensation may not be as different for nonprofit employees as was originally believed. The differences in terms of overall compensation for employees appear, on further analysis, to be mostly accounted for by geography, employee qualifications, and occupation (Leete, 2006). This seemingly confirms the idea that most nonprofit employees do not donate their labor and instead are compensated more or less on a par with for-profit employees who perform similar tasks.

However, differences in terms of compensation persist for executives and managers (Manzo, 2004). The apparent pay differences for nonprofit executives have not been as comprehensively examined as sectorwide compensation differences. The difference in executive compensation may result from a combination of factors including gender, regulation, and ethical concerns. Surveys of executives in the nonprofit sector have revealed that they place a higher premium on nonmonetary aspects of their jobs, including intrinsic benefits and fringe benefits (Ban et al., 2003).

The debate surrounding the issue of executive compensation in nonprofits is still unsettled but may be explained in part by the nurturing and caring required of many jobs in the nonprofit sector. The need to include caring as a function of a job is known as emotional labor and is typically associated with female-dominated professions such as nurses, flight attendants, and teachers. Emotional labor has been linked to lower pay in both the public (Guy & Newman, 2004) and private sector, through gender segregation of tasks in the workplace. One study of executive pay in the nonprofit sector supports the idea that the number of women in the sector may partially explain differences in compensation (Manzo, 2004). The study found that men in the nonprofit sector were paid more than women when controlling for budget size, number of employees, subsector, and longevity of service. The difference in pay patterns may be due not to discrimination but to the fact that women change jobs less frequently than their male counterparts (Lipman, 2000). The lower rate of movement by women between organizations is important because the greatest salary increases occur when an employee moves to a new nonprofit organization.

The rapid growth in the number of nonprofit organizations and the increasingly professionalized services they provide shape the nature and type of employment offered in the nonprofit sector. This has led to increased attention to the issue of executive compensation, especially as organizations compete for talented managers. One of the defining characteristics of the discussion surrounding executive compensation is the difficulty of rewarding performance in the nonprofit sector because nonprofit organizations are barred by federal law from distributing excess revenues to individuals (Frumkin & Keating, 2001). The nondistribution restriction placed on nonprofit organizations is meant to overcome the temptation to sacrifice the quality of the services individuals receive to create personal benefits. However, the policy has the unintended side effect of making it very difficult to reward employee performance financially.

Recent criticisms of executive compensation in the for-profit sector are also focusing attention on the issue of executive compensation in the nonprofit sector and may be partially responsible for lower salary levels in nonprofit sector. The IRS has tried recently to warn nonprofit executives about excessive compensation, but a lack of clarity persists about what "excessive compensation" means. Some examples of excessive compensation levels are clear in organizations that use most of their revenue to pay salaries and direct only a small percentage of the money raised to serve their mission. The lack of clarity may be depressing pay in the nonprofit sector.

Unique Qualities of the Sector

Philanthropy and volunteerism are often cited as unique aspects of nonprofits in the face of increased blurring between the sectors. Nonprofit organizations, especially those having a social mission or relying to a great extent on volunteers for service delivery, have a "long history, deep traditions, and cultures, steeped in voluntaristic values" (Ott, 2001, p. 289). This culture and history influence not only volunteers but also paid employees in the nonprofit sector as suggested by the donative labor hypothesis.

A telephone survey conducted by the Princeton Survey Research Associates (Light, 2002) examined characteristics of the nonprofit workforce and found significant differences between their responses when compared to public and private workers. In particular, compared to public or private employees, nonprofit employees were much more likely to indicate that they came to work because of the nature of their job and the common good. This suggests that nonprofit employees are significantly motivated by a desire to serve the public interest. This value placed on service to others is potentially one of the most unusual aspects of work in the nonprofit sector.

In addition, the qualities of work in the nonprofit sector have the potential to make it an ideal environment to attract and keep talented workers. About 75% of nonprofit employees disagreed that their work was boring in comparison to 46% of public and 54% of private employees (Light, 2002). This suggests that nonprofit organizations provide work environments that have the potential to motivate individuals through rewarding work.

In the same survey (Light, 2002), nonprofit employees were also less likely to believe that their jobs were a dead end with no future, compared to public and private sector employees (Light, 2002). This suggests that the type of work nonprofit organizations offer may create intrinsic rewards and personal development that individuals may be unable to receive through employment in the other sectors. Additional research has suggested that mission attachment helps enhance employee retention in the sector (Brown & Yoshioka, 2003). As this line of research continues to develop, this has significant implications for nonprofit managers wishing to retain their employees with limited financial resources.

While the nonprofit sector has the potential to be a great place to work because organizations can give employees tasks that are meaningful and challenging, there are also some difficulties in managing the nonprofit workforce. The nonprofit sector, unlike the public sector, offers much less stability and job security for many of its workers because of the instability of funding, the impact of policy changes, and varying service levels. This is partly reflected in the large numbers of part-time employees found in the nonprofit sector in comparison to the public and private sectors (Leete, 2001).

Another aspect of the nonprofit sector that strongly impacts employment patterns is the relatively small size of many nonprofit organizations. The sector as a whole is made up of very small organizations, which often have few employees and tend to be much more flexible and less bureaucratic (Ban et al., 2003). However, a significant number (24%) of nonprofit sector employees in the Princeton Survey (Light, 2002) expressed frustration with a limited ability to advance within their organization. This suggests that nonprofit leaders need to consider other ways to help employees create career advancement without changing organizations.

Diversity has become a concern for all organizations but is particularly important for nonprofit organizations, especially those that seek to serve a broad constituency. Many nonprofit organizations tend to use either fairly local search strategies or network-based strategies to recruit new employees (Ban et al., 2003). These strategies, while effective in terms of cost and time to identify candidates, may limit the diversity of those recommended because current employees tend to recommend people like themselves (Werther & Berman, 2001).

Executive Leadership in the Nonprofit Sector

The leadership role in the nonprofit sector is one that is increasingly complex and requires a wide range of skills to effectively manage the tasks required to successfully run a modern nonprofit. While many of the leadership tasks are similar to those in the public and for-profit sector, some unusual aspects of nonprofit leadership merit discussion. These include the role of the board of directors, the challenges of volunteer management and integration of mission, resource acquisition, and strategy (Herman, 2005). A second unusual quality of nonprofit leadership is the impact founders or long-time leaders can have on the health of their organizations when they depart.

Nonprofit organizations are often led by full-time professional staff but are governed by a volunteer board of directors who are legally responsible for the organization (Gazley, 2009). These volunteers hold a unique place in the organization and often present a challenge for the professional staff members in terms of integrating and including the board into operations. Most executive directors point to poor relations with their boards of directors as a driving force for leaving their organization (Bell, Moyers, & Wolford, 2006).

Turnover of nonprofit executives is an especially important concern due to a phenomenon known as founder syndrome. When a founding leader leaves the organization, there is a risk that the next generation of leadership will not be able to continue the enterprise. Nonprofit organizations that lose their founder often lose focus and support from financial donors, which jeopardizes the health of the organization.

A survey of nonprofit executives reported that three quarters planned to leave their current job within 5 years (Bell et al., 2006). Other surveys have echoed concerns that the nonprofit sector will face a leadership shortage in the coming decade due to a combination of competition, growth, retirement of baby boomers, and burn-out of mid-level managers (Solomon & Sandahl, 2007; Tierney, 2006). However, these studies all overlook other trends that may decrease the threat of a leadership shortage in the nonprofit sector, including plans of many people retiring from the public and for-profit sector to enter the arena of nonprofit leadership after leaving their current jobs and the increasingly large number of people being trained at the graduate and undergraduate level in the area of nonprofit management (Johnson, 2009).

Motivation in the Nonprofit Sector

There is evidence to suggest that special qualities may also influence the motivation of nonprofit employees, as suggested by the donative labor hypothesis and the survey findings discussed above. Early theories explaining the existence of nonprofit organizations and motivations for starting such organizations suggest that founders are motivated by the mission or the work itself rather than by the desire for individual financial rewards (Santora & Sarros, 2001). Some have suggested that this leads some managers to choose one sector over another on the basis of goals and personality type (Weisbrod, 1988).

The findings surrounding nonprofit motivation suggest a motivational model that is contrary to some market-based incentive models used to understand motivation in the for-profit sector. Many models of employee motivation assume that market-based incentives are one of the most important aspects of structuring incentives for employees. This includes such tactics as improving pay or linking pay to performance to motivate employees to achieve in the workforce. Market-based incentive structures mainly rely on extrinsic or tangible benefits.

Mounting evidence suggests that nonprofit employees and managers are motivated by intrinsic rewards or motivation to serve their communities (Leete, 2001; Mann, 2006). Employees in the nonprofit sector seem particularly motivated to serve the common good, and some even see this service to others as a calling (Mann, 2006). This has been confirmed by recent research suggesting that nonprofit managers are more involved in their jobs than their public sector counterparts (Word & Park, 2009) and are motivated by public service rather than market rewards (Mann, 2006).

Managing Volunteers

It is estimated that in 2006, 26.7% of all U.S. adults volunteered (Corporation for National & Community Service, 2007). The total value of volunteering in 2007 represented the equivalent of 9 million full-time employees and an estimated cost savings of $19.51 per hour donated or $239 billion (Independent Sector, 2009). This represents an enormous resource communities can use to address their growing needs in the face of retreating government support (Wolch, 1990). The resources provided by volunteer labor would be difficult if not impossible for most nonprofit organizations to replace. It is important to think of volunteers as an important component of human resources management for nonprofit organizations.

Often, when we think of volunteers, we think of individuals who work or show up at special events or occasions. However, recent research suggests (Hager & Brudney, 2004) that four out of five nonprofit organizations use volunteers in their daily operations. These volunteers contribute substantially to the ability of these nonprofit organizations to operate and carry out their missions. In particular, nonprofit organizations identified four main ways that volunteers aided their organization, including increasing the quality of programs or services, creating cost savings, increasing public support or improved community relations, and allowing for additional services or service levels.

Volunteers come from various backgrounds and often have very different skill and commitment levels. Volunteer management cannot be handled with a one-size-fits-all approach. However, certain techniques can be applied to most volunteer management programs, and studies have found key elements important in engaging these resources effectively. These factors include worthwhile service or challenging tasks (Jamison, 2003), client appreciation, working directly with staff, staff appreciation, adequate training, the opportunity to meet new people (Ryan, Kaplan, & Grese, 2001), and the opportunity to become involved in project management. These factors matter to varying degrees to different volunteers and are more likely to cause turnover in volunteers if not present. The most important characteristics to promote long-term retention and involvement appear to be adequate training (both preservice and on the job) and having a challenging volunteer task (Jamison, 2003).

Despite the large numbers of individuals who volunteer in the United States, dissatisfaction has led to well-documented cases of high turnover in volunteer roles in agencies that serve all types of constituencies (Lammers, 1991). The loss of volunteers represents a significant cost in dollars (Brudney & Duncombe, 1992), the services of those who go, and the motivation of those who stay. For this reason, the management of volunteer resources is an important part of leading most nonprofit organizations because poorly managed volunteers can result in the failure to take advantage of important resources and negatively impact the productivity of paid staff.

In addition to increasing volunteer satisfaction, effective management of volunteers has the potential to improve the outcomes for nonprofit agencies and minimize the risks that may result from improper volunteer supervision. Volunteers, just like paid employees, represent your organization, and improper supervision of those volunteers can create significant risks. Many nonprofit organizations believe that the Volunteer Protection Act will shield them from litigation, but this is not true if volunteers are not effectively managed and supervised.

Legal Issues in Human Resources Management

Another key aspect to consider in the management of human resources is the laws that govern work practices for all organizations, public and private. These laws are in place to protect the rights of employees and employers. Although some of the laws discussed here apply only to organizations once they exceed a certain number of employees, following these laws is generally a good practice and should be done whenever possible so that growth in the overall number of employees does not require major shifts in terms of management strategy and policy.

The major legal considerations are the same for all employers, both public and private, with only a few exceptions in terms of unique regulations for the nonprofit sector. Our discussion will mainly focus on the unique concerns for the sector.

For nonprofit organizations, lawsuits due to employment-related issues are a growing concern and can pose a substantial risk to survival if adequate policies and protections are not in place. One key difference for nonprofit managers in management of human resources is the need to be more careful about following the law because of their dependence on government grants for support and the level of public scrutiny. Failure to adequately comply with state and federal law in the area of employment practices can make an organization ineligible for continued support and create difficulties in garnering public support if a scandal ensues.

Discrimination and Harassment

Federal laws largely prohibit discrimination against individuals on the basis of sex (including pregnancy), race, religion, age, national origin, and disability. These laws grew out of the civil rights movement but have been expanded to include additional protections.

The application of these laws is important not just for legal and ethical reasons but also because of the implications these laws have for nonprofit organizations attempting to carry out missions in diverse communities. As discussed earlier in this chapter, the nonprofit sector has a lower proportion of minority employees than the other two sectors, and this can at times interfere with delivery of a mission, especially if the client base of an organization is fairly diverse (Gazley, 2009).

Ensuring that hiring practices are fair and clear can help diversify staff and create more representative organizations. In general, most nonprofits need to adopt polices that clearly outline hiring procedures and are designed to make sure that individuals receive fair consideration regardless of age, race, religion, disability, or country of origin. Laying out these types of procedures will help protect organizations from ad hoc practices that may accidentally exclude minorities or fail to consider all applicants fairly and equally (Hauge & Herman, 2004).

In addition, clear expectations regarding the work environment need to be laid out for employees, including expectations about equal and respectful treatment of all employees. This can be done through training and by clearly outlining sexual harassment and diversity policies. Such policies may aid not only in creating legal protection for your organization but also in recruiting diverse staff and connecting to the community.

The expansion of charitable choice and faith-based initiatives in 2001 by President George W. Bush has created some unique issues for human resource managers in faith-based organizations accepting federal funds (Gossett & Pynes, 2003). Whereas ordinarily nonprofit organizations accepting federal dollars would be required to abide by civil rights legislation that prohibits discrimination in terms of employment on the basis of religion, certain exclusions under current court interpretations appear to apply to this particular set of organizations. Exclusions already allow churches and religious organizations to give preference to members of their own faith, but these organizations must now be more cautious in terms of preferential hiring. This is especially true if the unit of the religious organization receiving federal funding is fairly independent of directly religious activities, for example, a social service program operated by a community of faith that is supported by, but not directly tied to, the religious group. This may require careful consideration about how important it is to give preference to people who hold a particular set of beliefs versus how important it is to receive federal funding to perform these services.

Compensation

One unique legal consideration comes from the reporting requirements for nonprofit organizations by the IRS and the Taxpayer Bill of Rights 2 (P. L. 104–168) This act allows the IRS to levy excise taxes on excessive compensation paid out by 501(c)(3) and (c)(4) organizations and to penalize managers who authorize excessive pay. The Taxpayer Bill of Rights 2 was enacted in 1996, and the provisions relating to excessive compensation are retroactive to September 1995.

The Taxpayer Bill of Rights 2 also requires public disclosure of financial documents for nonprofit organizations by making public the Form 990s filed with the IRS, which provides the salaries of officers, directors, trustees, and key employees (such as supervisors), along with the top five contractors paid more than $50,000 (Thomas & Bloom, 1996). Additional forms are required for any employee making more than $150,000 in direct compensation or more than $250,000 in total compensation. These informational returns are public documents and are available for public viewing through sources like GuideStar.org.

Finally, the discussion above is limited to federal laws that affect nonprofit employers, but additional provisions of state and local governments may also impact nonprofit organizations, depending on the jurisdiction. Often, additional information about these provisions can be found by contacting state and local government or through trade groups such as statewide nonprofit associations. These may lead to the need for additional policies to protect organizations from legal action or fines.

Future Directions

A great deal of research still needs to be conducted about the specific needs of nonprofit employees and organizations. The field of nonprofit management is still relatively new, and until recently, the existing research mainly focused on describing the nonprofit workforce and understanding the apparent differences in pay. However, recent articles examining human resources issues in nonprofit organizations have begun to build our understanding of what makes working in the nonprofit sector unique and how we can begin to better motivate and understand the needs of the nonprofit worker.

One area that still needs to be resolved and explored is the apparent difference in nonprofit pay and the cause of these differences. At present, the debate about the magnitude of these apparent differences is still unresolved, in part because of limitations in the available data, which often make it hard to sort out which organizations are nonprofit and for-profit. In addition, research needs to be conducted about the possible role that gender plays in lower wage levels for nonprofit executives and leaders or the ability of these leaders to advance in their field.

Another area of research that should be explored in the future is the role that the structural characteristics of nonprofit organizations play in the ability of organizations to effectively manage human resources. Much discussion in the nonprofit sector has been devoted to the impact of limitations on overhead costs for building the capacity of organizations, but little thought has been given to how they affect the ability of nonprofit organizations to effectively manage human resources and comply with legal mandates. A second structural issue that merits further exploration is the role that limitations on excessive compensation for nonprofit executives play in recruitment and retention of talented executives or the creation and perpetuation of the nonprofit pay gap for executives.

Summary

The management and leadership of human resources is one of the most vital and important considerations for those working in the sector. Improper management may interfere with the ability of the organization to achieve its mission and put the organization at significant risk due to legal and reputational issues. As the field of nonprofit management continues to develop, the sector must advance its understanding and training of the unique challenges of human resources management in this sector. These are numerous and include recruiting and retaining knowledgeable and talented employees, understanding motivational aspects of nonprofit employees, and examining the role that volunteers play meeting the human resource needs of nonprofits.

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46

Tax Policy and Implications for the Organization

Tax Exemption, Charitable Deduction, and Charity Care

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A whole chapter on tax policy in a book about nonprofit leadership may appear odd at first. After all, nonprofit organizations are tax exempt, right? Actually, *nonprofit* and *tax exempt* are two separate concepts that are sometimes confused with each other. Nonprofit status is a state law concept. Nonprofit status may make an organization eligible for certain tax benefits, such as state sales, property, and income tax exemptions. Although most federal tax-exempt organizations are nonprofit organizations, organizing as a nonprofit organization at the state level does not automatically grant the organization exemption from federal income tax. Therefore, some taxable nonprofit organizations do exist, although often in the form of a subsidiary controlled by a tax-exempt nonprofit organization.

Nonprofit organizations include charities, foundations, social welfare or advocacy organizations, professional or trade associations, and religious organizations. Most nonprofit organizations are also tax exempt because they relieve the government of its burden to provide certain services, because they benefit society, or because they fall under the provision of separation of church and state. In other words, the government gives up tax revenue but in return does not have to provide a public service that it might otherwise have to provide using taxpayer dollars.

Even though most nonprofit leaders will work for a tax-exempt organization, there are several reasons why the technical financial material in this chapter is important to a nonprofit leader. First, to effectively lead an organization, it is important that the leader understand the overall business environment—both nonprofit and tax exempt—where the organization operates. This understanding can help a leader make more effective decisions for the organization. Second, even though many nonprofit organizations use a third party such as a certified public accountant to handle tax issues, responsibility for related decisions still resides with the nonprofit leader. Finally, federal tax exemption does not exempt an organization from all taxes and all tax reporting. Failure to comply with any applicable rules (such as lobbying) and reporting requirements (such as filing a Form 990 on time) could result in monetary penalties, a damaged reputation with the public, and possibly even loss of tax-exempt status.

Nonprofit Organizations

The terms *nonprofit,* as well as *not for profit* and *nonstock,* describe the way an organization is incorporated under state law. These terms all describe organizations that are not organized to make a profit for their owners and that typically do not issue stock. Nonprofit does not mean that the organization cannot *earn* a profit (revenues in excess of expenses). The difference between a business and a nonprofit organization is what is done with the surplus. In a for-profit organization, any profit is available for distribution to the owners of the business. In a corporation, the surplus may be paid to the owners in the form of dividends. In a nonprofit organization, however, there are no owners or stockholders. By law, the surplus cannot be paid out to benefit any employees, board members, or officers, either. Instead, the surplus must be used to further the charitable purpose or mission of the organization.

Tax-Exempt Organizations

The term *tax exempt* refers to the status granted by the Internal Revenue Service (IRS) to qualifying organizations. To receive tax-exempt status, an organization must meet a specific description and, for 501(c)(3) status (described later in the chapter), complete and submit an application to the IRS. Section 501(c)(3) tax exemption applies to both federal income tax and federal unemployment tax. States and local governments can also grant tax exemption, but the process and types of exemption vary from state to state.

Some nonprofit tax-exempt organizations are also considered charitable organizations. The term *charitable* refers to a type of organization that is recognized as tax exempt under section 501(c)(3) of the Internal Revenue Code. These 501(c)(3) organizations, which also include religious and educational organizations, receive certain benefits not given to other tax-exempt organizations; for example, donors can deduct contributions from their taxable income.

Two levels of tax benefits can be granted to nonprofit organizations. The first level is relief from paying federal, state, and/or local taxes. The second benefit is contributions to these organizations may be deducted from calculations of the donor's taxable income. Being able to offer the tax deduction benefit to its donors enhances an organization's fundraising ability. Organizations receiving the second benefit—501(c)(3) organizations—are expected to carry out significant charitable activities in the public interest (Brilliant, 2000, p. 5), so there is a responsibility that comes with the benefit.

This chapter will provide background information on tax exemptions and charitable deductions in the United States at the federal, state, and local levels. In addition, tax policy will be reviewed for both nonprofit organizations and private foundations. Due to the increased attention and scrutiny surrounding nonprofit tax-exempt hospitals, the health care industry and charity care will be reviewed separately.

The History of Tax Exemption in the United States

The federal government has passed several significant pieces of legislation concerning nonprofit organizations and foundations. The structure of tax exemption granted to the charitable and voluntary sector outlined in the U.S. tax code was mostly developed through legislation enacted between 1894 and 1969. Over that period, Congress established the basic principles and requirements of tax exemption, identified business activities of tax-exempt organizations that were subject to taxation, and defined and regulated private foundations as a subset of tax-exempt organizations.

Early tax-exemption regulations were developed around three major principles. First, organizations that operated for charitable purposes were granted exemption from the federal income tax. Second, charitable organizations were required to be free of private inurement; their income could not be used to benefit an individual related to the organization. Finally, an income tax deduction for contributions, designed to encourage charitable giving, was developed (Arnsberger, Ludlum, Riley, & Stanton, 2008).

The earliest statutory reference to tax exemption for certain organizations dates back to The Tariff Act of 1894. This act, which established a 2% flat corporate income tax, exempted organizations operated for charitable, religious, or educational purposes. Although the U.S. Supreme Court ruled this law unconstitutional in 1895, the exemption language would provide the cornerstone for tax legislation involving charitable organizations in the following decades (Arnsberger et al., 2008).

The Revenue Act of 1909 introduced the first language prohibiting private inurement in all nonprofit organizations. Private inurement occurs when an insider—an individual who has significant influence over the organization—enters into an arrangement with the nonprofit organization and receives benefits greater than she or he provides in return. The most common example of private inurement is excessive compensation. If a nonprofit organization is organized to benefit an individual, even while fulfilling its tax-exempt purpose, it cannot be a tax-exempt organization (for more information, see www.boardsource.org).

The federal government granted the first tax deduction for charitable giving in the Revenue Act of 1917. Congress wanted to encourage giving to private charities in recognition that private charities can provide social services more efficiently than the government (Wilkinson, Clay, & Rhees, 2003). Several factors contributed to this decision. At the time the Revenue Act of 1917 was passed, Congress was concerned that the increase in taxes needed to fund the military in wartime would result in a decrease in charitable giving. Many of the nation's social service organizations had become dependent on private funding. In addition, colleges and universities would likely see a decrease in enrollment due to wartime enlistments in the military. Another benefit of the charitable deduction would be that individuals could choose the causes that their donation would fund rather than having that choice made by the government. With the passage of this act, individuals could reduce their taxable income by up to 15% for donations to qualified charitable organizations. (Note: Today, the deduction for charitable contributions is generally limited to 50% of adjusted gross income, but in some cases, 20% and 30% limits may apply. IRS Publication 526 provides up-to-date information on limitations.) In 1951, corporations were allowed to take a charitable deduction for the first time (Wilkinson et al., 2003).

In summary, Congress has approved regulations over the past century that promote charitable giving by individuals and businesses while at the same time holding nonprofit organizations accountable for the charitable use of donations. In addition, regulations aim to prevent nonprofit organizations from abusing their tax-exempt status.

Federal Tax Information for Nonprofit Organizations

Section 501(c) of the Internal Revenue Code defines the types of organizations that are exempt from federal income tax. The code goes from 501(c)(1) through 501(c)(25). Most federally exempt organizations are also exempt in their individual states. Of the 501(c) organizations, 501(c)(3) is the most widely known and also widely coveted status because donations to 501(c)(3) organizations are generally tax deductible to the donor (the second tax benefit discussed in the introduction). Nonprofit organizations that qualify for federal income tax exemption under Section 501(c)(3) of the Internal Revenue Code have the most favorable tax status, but they also have the most restrictions on government affairs activities. To maintain their 501(c)(3) tax-exempt status, these organizations must avoid all political campaign activities and must keep lobbying within permissible limits.

To be recognized as exempt from federal income taxation, most organizations are required to apply for recognition of exemption. Organizations desiring federal tax-exempt status under section 501(c)(3) of the tax code must file a Form 1023, Application for Recognition of Exemption, with the IRS. Organizations that may qualify for exemption under section 501(c)(3) include corporations, unincorporated associations, and trusts. A partnership may not qualify for exemption and therefore may not file Form 1023. A limited liability company that files Form 1023 is treated as a corporation rather than a partnership, and therefore, it may file Form 1023. Organizations applying for recognition of exemption under a provision of the code other than section 501(c)(3) generally use Form 1024. (Forms and explanations are available at www.irs.gov.)

Form 1023 is designed to obtain information about potential tax avoidance transactions. These transactions may include improper business dealings between the applicant and its top officials, excessive compensation arrangements, fundraising involving such areas as vehicle donations and conservation easements, and foreign grants and operations.

Tax-exempt organizations are separated into two classes: public charities and private foundations. The U.S. tax code section 509 governs private foundations. Meanwhile, section 501(c)(3) governs public charities.

Public Charities

Public charities are tax-exempt under section 501(c)(3) of the Internal Revenue Code. Public charities generally derive their funding or support primarily from the general public, receiving grants from individuals, government, and private foundations. Although some public charities engage in grantmaking activities, most conduct direct service or other tax-exempt activities (www.foundation center.org).

Private Foundations

Private foundations are nongovernmental, nonprofit organizations having a principal fund managed by their own trustees or directors. Private foundations maintain or aid charitable, educational, religious, or other activities serving the public good, primarily through the making of grants to other nonprofit organizations (for more, see www.foundationcenter.org). A private foundation usually derives its principal fund from a single source, such as an individual, family, or corporation, and more often than not is a grantmaker. A private foundation does not solicit funds from the public.

Community Foundation

A community foundation is a tax-exempt, nonprofit, autonomous, publicly supported philanthropic institution with a long-term goal of building permanent, named-component funds established by many separate donors for the broad-based charitable benefit of the residents of a defined geographic area, typically no larger than a state. A community foundation serves a particular geographic area such as a municipality, county, state, metropolitan area, or closely related aggregation of such areas, which are considered for some purposes as a community. A community foundation is recognized by the IRS as tax exempt under Internal Revenue Code section 501(c)(3), organized and operated exclusively for charitable purposes.

Although 501(c)(3) status is the most widely known, organizations that are exempt under other sections of 501(c) include business leagues, chambers of commerce, recreational or social clubs, business leagues, trade groups, and political action groups. 501(c)(4) exemptions, for example, are given to civic leagues and other organizations operated exclusively for the promotion of social welfare, to local associations of employees, the membership of which is limited to a designated company, or to people in a particular municipality or neighborhood; the net earnings of such organizations must be devoted exclusively to charitable, educational, or recreational purposes. Characteristics that set these organizations apart from 501(c)(3) organizations include an unlimited ability to lobby for legislation and the ability to participate in political campaigns and elections. In addition, donations to 501(c)(4) organizations do not qualify for a federal tax deduction. An example of a 501(c)(4) organizations is AARP.

Federal Reporting Requirements for Nonprofit Organizations

Although most nonprofit organizations have both federal and state tax-exempt status, they still must do a fair amount of tax reporting, which includes annual reports to the IRS and payroll tax reporting to employees, independent contractors, and the IRS. Because there can be significant penalties for incorrect reporting to tax authorities, many nonprofit organizations consult with a certified public accountant or other tax expert either to establish the correct reporting process or to do the tax reporting on behalf of the organization. Some of the most common tax forms required of nonprofit organizations are described in the next section.

Form 990

Public charities (excluding certain religious, government, and political organizations) are required to file a Form 990 annually. Form 990 is used to report information on an organization's programs and activities. Major sections of the Form 990 include financial information (normally taken from the audited financial statements), explanation of major programs, and compensation information. There are also sixteen supplemental schedules that are designed for reporting information from organizations that perform specific functions. Form 990 provides an easy way for donors and other stakeholders to gather financial information about a nonprofit organization. Because of the standard format, the forms may also serve as a tool to compare one organization to another.

For public charities, there are several different versions of the 990 to choose from depending on the size of the organization. These different versions and their requirements are described below, but the IRS website, www.irs.gov, can provide an organization with the most up-to-date filing requirements.

Form 990: If an organization has gross receipts greater than $1 million and assets greater than $2.5 million, then it is required to file Form 990.

Form 990 EZ: If an organization has gross receipts greater than $25,000 and less than $1 million and assets less than $2.5 million, then the organization should file form 990 EZ. Some states will still require such organizations to submit a full Form 990 for state reporting purposes, so the organization may choose to file the full 990 instead of the 990 EZ for its federal filing requirement also.

Form 990 N: If an organization has gross receipts less than $25,000, it may file the 990 N. This form is also called the e postcard, which includes fewer than 10 questions that an organization must answer and submit electronically. Although brief, the 990 N allows the government to track small organizations that would not otherwise report information. Prior to the 990 N filing requirement beginning with the fiscal year ending December 31, 2007, these small organizations may not have been included in any federal databases due to lack of federal reporting requirements. Because the filing is so brief, not much more than the organization's existence and location are tracked.

The Form 990 is an informational return rather than a tax return. However, as with a tax return, there is a monetary penalty for failing to file by the due date, which is determined by the end of the organization's fiscal year. Many large nonprofit organizations hire a certified public accountant to prepare the Form 990 for them. Even though there may be no taxes due, there is often much public scrutiny by donors and other interested parties of the information submitted on the Form 990, so it is sometimes best to use a nonprofit tax expert to prepare the return.

Beginning with tax returns filed in 2009 for 2008, nonprofits must file the new Form 990, which requires more disclosure of potential conflicts of interest, compensation of board members and staff, and other details having to do with financial accountability and avoidance of fraud. The new form includes additional schedules that are specific to certain industries and areas of special interest. For example, private schools and hospitals each have their own schedule to complete. In addition, other schedules require information on activities such as fundraising, tax-exempt bonds, and noncash contributions.

Form 990 must be made available to the public. If requested, an organization must make available up to the three most recent returns. In addition, a hard copy of the return must be provided if requested, but a reasonable charge can be assessed for making the copy. If an organization's return is "widely available," which these days means it's posted on the Internet, the organization can refer the requester to the Internet address without providing a copy. However, organizations still have to have a copy of the return available for the requester to see. One exception to public availability is the list of donors exceeding $5,000. Donor information is reported to the federal government but may be kept private from the general public.

Form 990s are also available from the government at www.guidestar.org. GuideStar is an online database of information on the activities and finances of nearly one million nonprofit organizations. After establishing a username and password, a user has access to all 990s that are filed.

Form 990–PF

All private foundations are required to file a 990-PF with the IRS. The PF in the form name stands for private foundation. The form contains extensive details on the foundation's operational expenses as well as its grantmaking. Private foundations must provide detailed financial data, a complete list of grants awarded, the names of the foundation's trustees and officers, and other information on the foundation. The Form 990-PF may be the only source of a complete grants list for smaller foundations. The amount of detail provided on each grant will vary from foundation to foundation. In addition to being available at www.guidestar.org, Forms 990-PF can be found at www.foundationcenter.org.

Form 990-T

Organizations that have total gross income from unrelated trades or businesses of at least $1,000 also are required to file Form 990-T, *Exempt Organization Business Income Tax Return*, in addition to any required Form 990, 990-EZ, or 990-N. An otherwise tax-exempt organization may have to pay taxes on any unrelated business income, and these taxes are calculated on the Form 990-T. Nonprofit organizations operate taxable activities in two general ways: as unrelated businesses operated by the nonprofit or through controlled subsidiaries.

Sometimes, a nonprofit organization generates a profit from selling a product or providing a service. This is OK as long as the organization is pursuing the mission for which it was founded. As mentioned before, *nonprofit* does not mean the same thing as "doesn't make a profit." As long as the organization is involved in business activities *related to its mission,* any profit from these activities is tax exempt.

However, tax-exempt organizations may sell goods or provide services that do not fit into the definition of their charitable purpose. For example, if a hospital operates a pharmacy for the benefit of its patients, this is considered related business income and is not taxable. However, if the same hospital operates a pharmacy for the general public, this is considered unrelated business income. Or if the hospital sells memberships for the use of the rehabilitation equipment normally used for its patients (similar to a health club membership), that would be unrelated business income. The last two scenarios would need to be reported on a 990-T, and if these activities operate at a profit, there may be associated taxes due.

As long as unrelated business income is properly reported on the 990-T and any tax due is paid, it is not normally an issue for tax-exempt organizations. However, too much unrelated business activity may prompt the IRS to take a second look at an organization's tax-exempt status. In addition, putting too many resources into unrelated business activities may interfere with the organization's ability to achieve its mission.

Payroll Tax Forms

If a nonprofit organization has paid employees, then it also has an obligation to deduct taxes from employees' wages and remit payroll taxes to the appropriate taxing agency. In addition, for FICA taxes (Social Security and Medicare), the organization has an obligation to pay a tax match to the federal government. Several payroll tax and related forms need to be submitted to the federal government. Detailed information on each form can be found at www.irs.gov.

Form 941 is the employer's quarterly federal tax return. This form is used by employers to report employment taxes, withholding amounts, deposit amounts, and amounts due to the IRS. Form 941 is due by the last day of the first month following the end of a calendar quarter.

W 2s are summaries of earnings and payroll deductions by individual employees. W 2s are submitted both to the employees and to the IRS.

Form W 3 is a summary of all W 2s of an organization and is submitted along with the W 2s to the IRS. If an organization has 250 or more employees, the W 2s and W 3 must be submitted electronically.

Form 940 is the annual Federal Unemployment Tax Act (FUTA) return. Religious, educational, scientific, charitable, and other organizations described in section 501(c)(3) and exempt from tax under section 501(a) are not subject to FUTA tax and do not have to file Form 940 (www.irs.gov).

1099-MISC

Sometimes, a nonprofit hires individuals to provide services to the organization, but they are independent contractors (self-employed), not employees. An organization sometimes refers to these individuals as consultants. On an annual basis, nonprofit organizations must issue a 1099-MISC to each individual or partnership that receives payment for services of more than $600 from the organization. The 1099-MISC provides payment information so that the independent contractor can properly report the income earned. Copies of all 1099-MISCs are also submitted to the IRS along with a cover *Form 1096.*

Nonprofit organizations must make a decision about whether workers fit the definition of employees or independent contractors. The tax treatment is different for each group. Due to the scrutiny the IRS has been giving organizations over proper classification of employees and independent contractors, nonprofit leaders must be familiar with the distinction. The decision is not arbitrary, and the determination is normally based on the amount of control the organization exerts over the worker. The IRS has provided detailed guidelines to help organizations properly distinguish if a worker is an employee or an independent contractor. Detailed information and definitions can be found at www.irs.gov.

Charitable Contributions

Nonprofit organizations who receive donations from individual and corporate donors should have a basic understanding of charitable contributions. An income tax deduction for charitable contributions was first allowed by the Revenue Act of 1917 (Arnsberger et al., 2008). Generally, only five types of organizations are qualified to receive charitable contributions for which the donor gets a tax deduction. The organizations are as follows: (1) an organization that is operated for religious, charitable, educational, scientific, or literary purposes or for the prevention of cruelty to children or animals; (2) war veterans' organizations; (3) societies or associations whereby the contribution is used for the purposes listed in Item 1; (4) certain nonprofit cemeteries; and (5) a federal, state, or local government if the contribution is used for public service (see IRS Publication 526). The IRS issues Publication 78, which lists all organizations that qualify under these guidelines.

Donors receive a tax deduction for cash and property given to qualifying organizations if they itemize deductions on their tax returns. The higher a donor's income tax bracket, the more the charity tax deduction is worth to the donor. The value of time volunteered to a qualifying organization cannot be deducted, but mileage to and from the organization does qualify for a tax deduction. The most current charitable deduction rules and limitations can be found on the IRS website.

Not every dollar given to a charity is automatically tax deductible—only contributions that don't get the donor a good or service in return are tax deductible. For instance, if the membership cost to a charity includes a magazine subscription, the cost of the subscription *is not* deductible, although the rest of the membership fee may be. If a donor goes to a charity dinner, only the cost above the fair market price for the dinner is considered a deductible donation.

Challenges to Federal Tax Exemption

According to www.stayexempt.org, the four main activities that can jeopardize tax-exempt status for 501(c)(3) organizations are:

1. an activity that results in private benefit or inurement (a description of inurement was included earlier in the chapter);
2. lobbying activity, if it constitutes a substantial part of the organization's overall activities or if it exceeds a predetermined dollar amount;
3. any political campaign activity; and
4. unrelated business activity that is substantial when compared with the organization's exempt function activities.

Federal tax reporting, especially the recently revised Form 990, specifically focuses on the above activities of nonprofit organizations to determine that an organization still operates in compliance with the guidelines set forth in section 501(c)(3).

Two organizations that have received much attention and challenges to their tax exemption are credit unions and hospitals. The banking and health care industries are made up of both for-profit and tax-exempt organizations. In both industries, the tax-exempt organizations provide similar services and have similar sources of revenue as their for-profit counterparts. Therefore, there has been much discussion over the differences, if any, between the for-profit and tax-exempt organizations in the same industry. Focus has especially been on determining if the tax-exempt counterparts have an unfair competitive advantage (tax-dollar savings) and whether or not their tax-exempt status is justified. The health care industry is discussed later in the chapter.

The tax-exempt challenge for credit unions will be examined first. Credit unions were created to enable people to pool their financial resources to help themselves and each others. Because the credit union members (the depositors) are the owners, not external stockholders, credit unions fit the definition of a nonprofit, or nonstock, organization. Credit unions also have tax-exempt status for a couple of reasons. Credit unions were created to provide financial services in a democratic, not-for-profit, cooperative manner with member ownership and control. Those characteristics are determining factors of tax exemption. Early in the history of credit unions, according to the U.S. attorney general, they were "organized and operated for mutual purposes and without profits." Therefore, they were granted federal tax exemption (see also Credit Union National Association, 2004). Credit unions still exist solely to meet their members' financial needs, not to make a profit off of them. Any profit is returned to members in the form of lower loan rates, higher savings interest, and free or low-cost services. Today, credit unions may look like banks in that they both offer financial products and services to consumers. Challengers to the credit union tax exemption argue that if a credit union operates like a bank, it should be taxed like a bank, and perhaps better fits the definition of a taxable nonstock organization. Supporters of credit union exemption believe that differences still exist to support the tax-exempt status.

State Tax Information for Nonprofit Organizations

Nonprofit organizations can be incorporated in a state and be recognized as separate legal entities. This means that the nonprofit can enter into contracts and incur debt in the name of the nonprofit organization. The cost and paperwork required to incorporate depends on the state where incorporation is sought. Each state has its own process to incorporate a nonprofit organization, but the secretary of state's office usually oversees this process. Some states, such as Delaware, have favorable incorporation requirements and fees, so many organizations choose such states to incorporate. Incorporation may be necessary for a nonprofit to expand its services or mission. However, smaller nonprofit organizations may choose not to incorporate as the cost may be prohibitive and the benefits minimal to a very small nonprofit organization.

To incorporate, a nonprofit organization must first develop articles of incorporation, which provide a legal description of the organization and also assign power to the board of directors. The articles of incorporation are filed at the secretary of state's office. Most nonprofit organizations will engage professional legal counsel to guide this process, which results in an additional cost to the incorporation process.

State governments recognize nonprofit status and can also give a nonprofit organization exemption from state income taxes, sales taxes, and so on. A nonprofit organization located in one state may seek state tax exemption in all states where it conducts business activities. Normally, the nonprofit organization is issued an exemption certificate or an exemption number for sales and use taxes to provide as proof of exemption to its vendors. The state exemption is a separate process from the federal process, although proof of federal tax exemption may aid or be required in the state process.

State tax filings will vary from state to state. Some states require a nonprofit organization to file its federal Form 990 for state tax purposes also. In addition, there may be annual forms due for all corporations in a state, and if the nonprofit organization is incorporated, it would be subject to this reporting also. Nonprofit organizations that engage in fundraising activities need to consider rules related to the license to solicit.

License to Solicit

Each state establishes its own laws to govern charitable solicitations and may or may not require a nonprofit to register before soliciting donations. A nonprofit organization must fulfill all registration requirements before raising funds in a certain state. A few states don't require registration at all, and there is not much uniformity state to state on the main requirements, much less on the finer details. Even if an organization raises funds only online, registration is still required in the states where donors are targeted via online fundraising.

In most states that require them, registrations must be renewed annually. Each state's requirements are different and deadlines for renewal vary, as do fees for registration also differ state to state. An organization that does not register properly in a state before fundraising there risks penalties and possibly even felony charges.

The federal Form 990 requires nonprofit organizations to list all states in which they are registered or licensed to solicit funds or where they have been notified they are exempt from registration or licensing. This is especially important to organizations that solicit funds in more than one state.

State Tax Credits

Some states, including Arizona, Colorado, Michigan, and North Carolina, have enacted state charity tax credits to stimulate charitable giving within the state. The tax credits may apply to donations only to certain charity types designated by the state rather than to all 501(c)(3) organizations. For example, Michigan offers full or partial tax credits for charitable donations to certain organizations including public universities, homeless shelters and food banks, and community foundations. A tax credit is a dollar-for-dollar reduction in the amount of tax owed. The taxpayer figures out how much tax is owed; the credits work like applying a gift card for a certain amount to reduce the tax owed. Tax credits are the same for everyone, but tax deductions are not. Tax deductions reduce how much the taxpayer owes in taxes by decreasing taxable income. The tax benefit of a deduction depends on the tax rate of the individual. Individuals in a higher tax bracket will receive a greater benefit from a tax deduction than an individual in a lower tax bracket. Because the tax savings for a charitable tax deduction are only a percentage of the donation, tax credits are more favorable to the taxpayer.

L3Cs

An emerging form of business that has already been recognized by several states, including Vermont and Michigan, is the low-profit limited-liability company. At its most basic level, the low-profit limited-liability company, or L3C, is a cross between a nonprofit and a for-profit. It is a new form of business enterprise that is designed specifically to further a socially beneficial mission and, in the right circumstances, can qualify as a program-related investment for foundations. In other words, the L3C is a profit-generating entity with a social mission as its primary objective. An L3C has the liability protection of a corporation and is not a tax-exempt entity. This form of business is still emerging, but legislation to recognize the L3C form of business is pending in more states.

Local Tax Information for Nonprofit Organizations

Local governments may also give a nonprofit organization tax exemption from local taxes such as property taxes. Property tax exemptions may include both real property and personal property. Real property is real estate such as land, land improvements, and buildings. Personal property is any other property, such as vehicles, furniture, computers, and equipment. Any local tax exemptions are handled by each municipality individually. The county assessor's office can usually provide information on its property tax exemption process. In some states, the property tax exemption is called the "welfare exemption."

Nonprofit organizations, like businesses, consume public services provided by local governments and funded by property taxes. This has caused some concern, especially about nonprofit organizations that have a major source of income other than public contributions (such as hospitals that receive insurance, government, and private payments for services) and that may operate much like a for-profit organization. Local governments around the United States are increasingly turning to nonprofit organizations to help alleviate their growing deficits and finance the municipal services that nonprofits use, such as road, police, and fire services. Nonprofits of all types currently face challenges to their traditional property tax exemptions, and numerous other public charities already pay partial payments in lieu of taxes or the full amount of property tax they would owe if they were for-profit corporations (Grimm, 1999).

Property tax exemptions can be challenged in state court, and some have been heard in state supreme courts. Challenges are expected to continue as local governments look for new sources of tax revenues and tax-exempt organizations defend their tax-exempt status.

Tax Policy for Foundations

In the 1960s, there was a public perception that private foundations were less accountable to the public than other charitable organizations. Perhaps this was because many private foundations were funded by a single individual, family, or corporation, and the public believed that they were operated in the interest of the founders rather than the general public. Although the 1960s were a time of social, political, economic, and international challenges, Congress took time to address this perception and focus on the nature of philanthropic activity in the United States, and in particular, charitable giving through foundations (Brilliant, 2000). The Tax Reform Act of 1969 finally addressed some of these public perceptions. Private foundations were separated into two categories: nonoperating and operating. Nonoperating foundations used their funds to make grants to charitable organizations. These are the traditional grantmaking foundations. Operating foundations operated programs similar to other nonprofit organizations.

The Tax Reform Act of 1969 also defined the difference between private foundations and other charitable organizations. For this definition, community foundations are considered charitable organizations rather than private foundations. A community foundation serves a particular geographic area such as a municipality, county, state, metropolitan area, or closely related aggregation of such areas that are considered for some purposes as a community, typically no larger than one state. A community foundation is recognized by the IRS as tax exempt under section 501(c)(3), organized and operated exclusively for charitable purposes.

A private foundation, as set forth in the Tax Reform Act of 1969, must be operated for charitable purposes just like other charitable organizations. Its grantmaking and programs are restricted to charitable purposes. Private foundations are usually funded by individuals, families, or corporations, whereas public charities usually obtain funding from public sources such as donations and grants. Private foundations have more regulations than other exempt organizations. Private foundations typically do not operate charitable programs (this would be called an operating foundation) but rather provide a source of funding to charitable organizations through grantmaking.

For the first time, the Tax Reform Act of 1969 imposed restrictions on private foundations. Under the Tax Reform Act of 1969, private foundations are required to make minimum distributions. For example, 5% of assets must be distributed in a qualifying distribution each year at the present time. The minimum distribution rule replaced a system where foundations could lose their exempt status for excessive accumulations.

The Tax Reform Act of 1969 also defined the fundamental social contract offered to private foundations. In exchange for exemption from paying most taxes and for limited tax benefits being offered to donors, a private foundation must (a) pay out at least 5% of the value of its endowment each year, none of which may be to the private benefit of any individual; (b) not own or operate significant for-profit businesses; (c) file detailed public annual reports and conduct annual audits in the same manner as a for-profit corporation; and (d) meet a suite of additional accounting requirements unique to nonprofits. Most private foundations are required to pay a 2% federal excise tax on net investment income.

In the late 1960s, foundations and their founders did not just wait for Congress to determine the future of private foundations through regulations. In 1969, John D. Rockefeller III formed the Commission on Foundations and Private Philanthropy, chaired by Pete Peterson, in response to a "gathering storm" in Congress regarding foundation regulation. The purpose of the commission, also called the Peterson Commission, was to influence public policy regarding foundations and philanthropy. The Peterson Commission's report, however, was published after passage of The Tax Reform Act of 1969, perhaps blunting its impact (Schramm, 2006).

The Filer Commission, formally the Commission on Private Philanthropy and Public Needs, was chaired by John Filer and operated from 1973 to 1977. It was also formed by John D. Rockefeller III, whose mission was to present "a bright new vision of philanthropy's role in meeting social needs" (Schramm, 2006). There is much debate over the effectiveness and impact of both the Peterson and Filer commissions. However, the Filer is credited with establishing the framework for recognition of a third sector, an independent sector of nonprofit organizations and foundations, in addition to government and business. In addition, the commission provided the initiative to found the Independent Sector, a national umbrella organization bringing together for the first time nonprofit organizations with philanthropic foundations and business corporations. Formed in 1980, Independent Sector serves as a meeting ground for the leaders of America's charitable and philanthropic sector.

Tax Policy Related to the Health Care Industry and Charity Care

About 59% of the nation's hospitals have tax-exempt status (U.S. Government Accountability Office, 2008), dating back more than 100 years, when nonprofit hospitals were set up to serve the poor. More than 50 years ago, the standard for tax exemption required tax-exempt hospitals to operate to serve those unable to pay and ordinarily not to refuse those who could not pay for hospital services. This standard was commonly referred to as "charity care." However, since that time, the health care industry has dramatically changed. The federal government established Medicare to help pay health care costs of the elderly and Medicaid to help pay health care costs of the poor. Many employers provide health care insurance coverage as a benefit to their employees. In addition, federal law requires all participating hospitals with emergency rooms, regardless of nonprofit or for-profit status, to treat all patients in need of emergency care regardless of their ability to pay. So from an outsider's viewpoint, it is sometimes difficult to tell the differences between a for-profit hospital and a nonprofit hospital.

Hospitals are not inherently tax exempt. Their exemption is based on the promotion of health. To qualify for tax exemption, they must show that they provide benefits to a class of people, broad enough to benefit the community, and they must be operated to serve a public rather than a private interest. Most nonprofit hospitals originally justified their nonprofit status by making their services available to all people and by providing charity care. However, as hospitals found sources of revenue from the government and insurance companies, justification for tax exemption primarily shifted to a community benefit focus.

Despite changes in the health care industry described above, there are still plenty of people who do not qualify for Medicare or Medicaid and are unable to pay their hospital bill. This is called charity care and is one basis for hospitals still being classified as nonprofit and tax exempt. Many questions have been raised about whether the amount of charity care that a hospital provides is enough to justify an exemption of taxes. Hospitals have faced high-profile challenges to their tax exemption from numerous quarters for an alleged failure to provide sufficient charitable care to fulfill their obligations under tax exemption.

Although it is generally agreed that charity care should be one of the standards for tax exemption of hospitals, it is difficult to define how much charity care is enough to justify tax exemption. In September 2008, for example, the Chicago *Tribune* reported that the Illinois Supreme Court determined that a hospital that spends less than 1% of its revenues on charity care does not deserve a property tax exemption. Although the court did not define what level of charity care would be enough, it was determined that 1% was not enough (Japsen, 2009).

Even though it has received much attention, charity care is not the only basis for tax exemption in nonprofit hospitals. In the late 1960s, the IRS permitted a hospital to qualify for tax exemption based on the promotion of health for the benefit of the community. This is known as the "community benefit" standard. Since that time, the community benefit standard has primarily governed how nonprofit hospitals have justified their tax-exempt status (Gulant et al., 2008). Examples of community benefits include free health screenings, community health education, and free health services. Some hospitals also report charity care as just one component of their community benefit.

As tax-exempt hospitals have been under scrutiny and have felt the pressure to justify their tax-exempt status, they are finding it important to define and quantify the amount of community benefits and charity care they are providing. Charity care, sometimes also called uncompensated care, is free or reduced-fee care provided to patients due to their financial situation. This differs from bad debt, which is considered a normal cost of business and is defined as money owed that you cannot collect.

The IRS recently conducted a study to learn more about the charity care and community benefits that hospitals are providing. The Nonprofit Hospital Study began in 2006 and took place over the next 3 years. A survey was sent to 500 tax-exempt hospitals focusing on community benefit and compensation-setting practices. In February 2009, the IRS Report on Nonprofit Hospitals was released. Because nonprofit hospitals are one of the largest components of the tax-exempt sector, the IRS needed to have a solid understanding of these organizations because they represent the largest assets and revenues in the tax-exempt sector. The report was not meant to take a position on the tax-exempt status of hospitals but rather to gain an understanding of the sector. The focus was on community benefit, uncompensated care (charity care), and executive compensation.

The findings of the study were interesting. Even though the community benefit standard is the legal standard for determining whether a nonprofit hospital is exempt from federal income tax under section 501(c)(3), the results of the study revealed that there is no industry standard for reporting community benefits. In addition, the uncompensated care and community benefit expenditures were concentrated in certain hospitals and unevenly distributed. For example, 9% of the hospitals reported 60% of the aggregate community benefit expenditures of the overall group; 14% of the hospitals reported 63% of the uncompensated care expenditures (IRS, 2009). Not to anyone's surprise, shortly after the release of these findings, the American

Hospital Association issued a detailed response to this study and its findings. It is still too soon to know what will become of this study and its final report.

One thing that was already in process before the IRS study was the redesign of the Form 990. To improve transparency for tax-exempt hospitals, the IRS now requires hospitals to complete Schedule H of the Form 990, which explores in detail the charity care policies and costs, as well as the community benefit operations of the filing hospital. This new schedule is required for reporting all fiscal years after December 31, 2008.

Summary

Tax policy for nonprofit organizations has developed over the past 100 years through a variety of regulations. Significant events include the recognition of exempt organizations, the addition of the charitable deduction, and the distinction between charitable organizations and private foundations. Still, as nonprofit organizations are forced to create new revenue streams, the distinction between taxable for-profit businesses and tax-exempt nonprofit organizations becomes blurred. This debate is especially heated in the health care industry. With the release of the IRS report in February 2009, future debates and discussions are sure to continue.

Tax policy, even for nonprofit organizations, is constantly changing. New legislation, new challenges to exempt statuses, and new reporting requirements could be just around the corner at any time. These changes could take place on the federal, state, or local level. Nonprofit leaders need to stay current on new developments in tax policy for nonprofit organizations to understand how the nonprofit business environment may affect their decisions and to stay in compliance with laws and regulations.

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Financial Issues for Leaders

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No margin, no mission. Based on the popularity of that phrase in recent years, especially in the health care industry, a strong connection between accounting and nonprofit organizations is acknowledged. It is a connection that nonprofit leaders need to recognize and understand. A nonprofit organization does not distribute its surplus funds (margin) to owners or shareholders but instead uses them to help pursue its mission. In fact, a nonprofit organization does not have any owners or stockholders. Therefore, one might conclude that accounting becomes a secondary concern of the nonprofit leader compared to carrying out the mission. However, nonprofit leaders need to have an understanding of accounting and how it impacts the organization's ability to pursue its mission. Nonprofit leaders don't have to be financial experts (although there should be a knowledgeable employee or board member somewhere in the organization), but they do need to know enough to understand the current financial picture, identify problems, and take corrective action. Understanding financial information is vital to managing a successful nonprofit organization and helps nonprofit leaders fulfill their responsibility to their organization (Lang & Rocha, 2000).

Small nonprofit organizations often do not have the resources to hire a full-time employee with accounting expertise. These organizations must find cost-effective ways to fulfill their fiscal responsibilities. Some nonprofit organizations hire an outside party, such as an accounting firm or bookkeeper, on a part-time basis to handle the accounting. Others rely on a board member to provide high-level financial expertise. The important thing is that the organization makes sure that a knowledgeable person takes financial responsibility, and there is proper oversight of this function by its leader. This chapter is intended to provide a very basic overview of the nitty gritty topic of nonprofit accounting. References for further information on this important topic are included throughout the chapter.

Scary Accounting Stories

Some nonprofit leaders find finance and accounting intimidating. They struggle with the belief: "I am not a numbers person." Financial reports, budgets, and calculations can seem rather scary. However, the scary part would be not taking the time to gain a basic understanding of nonprofit accounting. The truly scary accounting stories have nothing to do with the numbers themselves, but rather what people have done with the numbers.

There are many examples of accounting scandals in the business world since 2000. Examples include Enron, WorldCom, Xerox, and Tyco. There are many examples of top management making poor or even unethical decisions related to the accounting and financial reporting of their organization. Most of these high-profile examples were with publicly traded corporations, and one of the motivations for their questionable decisions appears to be concern over the stock price. If the stock price falls due to unfavorable financial results, board members, employees, and especially the stockholders are unhappy. In a nonprofit organization, where there are no stockholders to please, it would appear that there would be less concern for accounting-related scandals. However, even without the pressure of making a profit for stockholders, there are still many examples of accounting scandals. Just a few examples are shared here.

In November 2002, *The New York Times* reported (in Strom, 2002) that the United Way of Suburban Chicago, an umbrella organization for 52 United Way organizations in the Chicago area, planned to count a $350,000 donation as its own, while that same donation was also counted by an unaffiliated United Way. Each organization insists that it managed the campaign and wanted to include the money in its total, but this practice resulted in reporting those donations twice in consolidated United Way reporting and thus revenues were inflated in the consolidated financial statements. This practice was also found in other United Ways across the country.

In June 2003, the *San Francisco Chronicle* reported (in Wallack, 2004) that PineVine, a San Francisco nonprofit corporation that processed more than $100 million a year in charitable donations for several nonprofit organizations and Fortune 500 companies, abruptly shut down, saying it had mistakenly spent some donations on its own operating expenses.

Scandal hit even the Smithsonian Institution in Washington, D.C. In 2007, Lawrence Small, the former top official of the institution, resigned after he came under fire for inappropriate expenditures, lavish personal spending, and a disregard for established Smithsonian rules (Eisenberg, 2007).

Once such stories hit the media, they can be detrimental to nonprofit organizations. Donations may plummet. Grants may not be renewed. The organization may even close. Nonprofit leaders need to understand accounting so that their organization does not face similar scandals. One good place to begin is actually the end result of accounting: financial reporting.

Financial Reporting

Both external and internal parties use the financial data and reports of nonprofit organizations to answer questions about the organization, but often for different purposes. External users include donors, grantmakers, financial institutions, and the general public. External users normally use financial reports to make decisions about charitable donations, grants, and loans to the organization. Internal users include executive directors, board members, department heads, and employees. Internal users normally use financial reports to assist with the operations of the organization.

The external users of financial reports can be just as key to the organization's success as the internal users, who are typically making day-to-day operational decisions for the organization. Donors and grantmakers are smart, and they want their money to be used wisely. They want to know that their money is going to a fiscally responsible organization that will use the donation for its intended purpose. Many nonprofit organizations rely on donors and grantmakers as a major source of revenues. Therefore, external reporting will be presented first—what are the external reports, who uses them, and for what purpose.

External Reporting

From time to time, nonprofit organizations need to communicate their financial status to those outside of the organization. This external reporting obligation may be required by law or may be voluntary. External parties want only a necessary level of detail. Therefore, all of the organizations' day-to-day financial transactions are summarized in a format called financial statements. Financial statements provide a way to concisely report the financial status and to measure the financial performance of a nonprofit organization.

Nonprofit organizations, like businesses, have a standard set of reports included in the financial statements. They are a (a) statement of financial position (balance sheet), (b) statement of activities (income statement), and (c) statement of cash flows. In addition, a complete set of financial statements will include an auditor's opinion letter if the organization is audited, footnotes, and a statement of functional expenses if required. The complete set of financial statements is normally prepared on an annual basis and is made available to parties outside of the organization, including donors, grantmakers, banks or other lending entities, and large vendors.

Most nonprofit organizations follow a set of rules called Generally Accepted Accounting Principles (GAAP) to prepare their financial statements. These rules are established by the Financial Accounting Standards Board (FASB). Because nonprofit organizations prepare the same set of financial statements, under the same rules of accounting, the financial performance of one organization can be compared to another organization. In addition, the financial statements of one organization can be compared from year to year.

External financial statements are used for many different purposes. Grant makers may require them to be submitted as part of the grant proposal. Grantmakers want to know that the organization would be a responsible steward of their grant money. In addition, grantmakers want to be able to assess the ability of the organization to continue operations in the future. A bank would need financial statements to assess the organization's credit worthiness if the organization needs to borrow money. Very large nonprofit organizations have the ability to sell bonds to the public, and financial statements must be submitted to the bond holders to keep them aware of the organization's ability to continue making interest payments and to repay the bond per the bond agreement.

In the next sections, each financial statement will be looked at individually.

Statement of Financial Position

The statement of financial position is a snapshot of the organization's financial health. This statement shows the balances of all financial accounts at a specific point in time, usually the end of a month, quarter, or year. The statement of financial position answers questions such as: How much cash do we have? Does anyone owe us money? How much debt do we have? and Do we have the resources to pay our debt?

The statement of financial position is divided into three sections and is based on the basic accounting equation: Assets = Liabilities + Net Assets. The statement of financial position is also called the balance sheet because both sides of the accounting equation must always be in balance.

Assets are resources owned or controlled by the organization. Assets are expected to provide some future benefit to the organization. Assets are recorded at historical cost. Some examples of assets that are normally found on a statement of financial position include:

Cash: A very valuable asset to the organization, cash is needed to pay for employees, supplies, rent, utilities, and other resources needed to run the organization.

Receivables: Amounts owed to the organization for providing services and selling goods (accounts receivable) or collecting pledges (pledges receivable). Receivables will be converted to cash when the organization is paid the amount owed. Accounts receivable and pledges receivable may be reported separately, and each will be reported at its net realizable value. In other words, only the amount of the receivable that is expected to be collected in cash is reported. Any expected uncollectible amounts (such as due to bad debts or pledges being cancelled) would not be included in the receivable balance reported on the statement.

Inventories: Goods available for sale. For example, if a nonprofit organization has T shirts available for sale, the cost of the T shirts owned by the organization is reported as inventory.

Property and equipment: Assets that last more than a year and are used in the operations of the organization. This category would include land, buildings, furniture, vehicles, and equipment. Plant and equipment are reported net of accumulated depreciation. Accumulated depreciation is the total amount of depreciation expense that has been recorded for an asset since the purchase date.

Intangible assets: These do not have physical form but are still owned by the organization and provide a future benefit to the organization. Examples of intangible assets are patents, copyrights, goodwill, and trademarks.

Liabilities are creditors' claims on the organizations assets. Liabilities are everything the organization owes to other entities. They are the debts of the organization. Often, organizations use the word *payable* to indicate a liability. For example, salaries payable, notes payable, accounts payable, and interest payable are all examples of liabilities. In addition, unearned or deferred revenue is reported as a liability. For example, if a museum collects a down payment in advance for a group tour, this amount is reported as a liability under the account unearned revenue until the tour is provided. Liabilities are reported on the statement of financial position in two categories: current and noncurrent.

Current liabilities: Current liabilities are expected to be paid in a year or less. Accounts payable, salaries payable, and interest payable are all examples of current liabilities. Current liabilities are often compared to the cash and receivables of the organization to determine if the organization will have sufficient funds available to pay upcoming debts.

Noncurrent, or long term, liabilities: Noncurrent liabilities are due in more than a year. Mortgages payable and bonds payable are typical noncurrent liabilities. It is important to designate the debt that must be paid in the short term versus long term. For example, if an organization has $1 million in debt, it makes a big difference to external parties whether that debt is due in the next 12 months or in 15 years.

Net assets represent the difference between total assets and total liabilities. In a business, this is referred to as *net equity.* In a nonprofit organization, three classifications of net assets are reported on the statement of financial position, which identify any donor-imposed or other restrictions on the use of the net assets.

Unrestricted: The accumulated surplus of revenues over expenses since the inception of the organization.

Temporarily restricted: Assets that have restricted use, usually dictated by the donor, but may be used if the conditions of the restriction are met. Government grants are an example of temporarily restricted assets. As the purpose of the grant is fulfilled, the restriction on the grant monies is released.

Permanently restricted: Assets that have restricted use, again usually dictated by the donor. There are no terms or conditions under which the restriction can be removed. Endowments would be an example of permanently restricted assets.

Statement of Activities

The statement of activities presents the financial operating results of the organization over a given period of time, usually a month, quarter, or year. This statement shows whether the organization had a net gain (surplus) or net loss (deficit). The statement of activities answers questions such as How did we do? What were our revenues? What were our expenses?

The statement of activities is divided into two sections: revenues and expenses.

Revenues: Revenues can be generated from providing services or goods to customers. In addition, revenues can come from donations and grants. Examples of revenues include membership due, service fees, admission fees, and unrestricted gifts.

Expenses: Expenses are the cost of providing programs, services, or products. Examples of expenses include employee salaries, supplies, rent, and utilities.

The statement of activities compares the total revenues to the total expenses over a given time period and reports whether the organization had a net gain or net loss for the time period reported. A business would report this as net income or profit.

GAAP requires that revenues and expenses be reported as unrestricted, temporarily restricted, or permanently restricted. In addition, GAAP requires that expenses be reported in three categories (Berger, 2008):

Program services: Expenses to fulfill the mission or purpose of the organization.

Management: Expenses related to general oversight, record keeping, and administrative duties of the organization.

Fundraising expenses: Expenses related to soliciting contributions and grants for others.

A financially healthy nonprofit organization may generate a surplus of revenues in excess of expenses just like a for-profit business. The term *nonprofit* does not mean the same as “does not make a profit.” The difference between a business and a nonprofit organization is what is done with the surplus. In a business, profits can be distributed to the owners of the business. In a corporation, this distribution to owners is called a dividend. In a nonprofit organization, however, there are neither owners nor stockholders. The surplus cannot, by law, be paid out to benefit any employees, board members, or officers. Instead, the surplus is used to further the charitable purpose of the organization.

Statement of Cash Flows

Cash is a very important asset to a nonprofit organization. A nonprofit organization cannot exist in the long term without sufficient cash resources. A pledge for a cash donation is an exciting thing for an organization to receive, but an organization cannot use that pledge to pay its expenses until it receives the cash. Too many promises to give that are not collected can put the organization in a cash crunch. The statement of cash flows highlights the importance of cash to an organization and helps external users of this statement evaluate the financial health of an organization from a cash perspective. It shows where the organization’s cash came from and how it was used. This statement answers questions such as Where did the cash come from? Did the organization have to borrow money to pay its bills? and Is the organization paying down its debt? This statement is divided into three sections.

The operating activities section shows the cash surplus or deficit from the normal operations of the organization. Most organizations hope to have a cash surplus in this line item over time. Otherwise, the organization must find ways outside of its normal operations to get cash, such as borrowing.

The investing activities section shows the cash inflows and outflows from purchasing and selling fixed assets and long term investments.

The financing section shows the cash inflows and outflows from borrowing money and repaying debt.

Footnotes

Footnotes provide essential additional information about key issues affecting an organization’s financial status—and they are necessary to a full understanding of the financial statements (Berger, 2008). Because the numbers in the financial statements sometimes don’t tell the whole story, because they may need further explaining, a complete set of financial statements always includes footnotes. Footnotes are referenced within the financial statements but are located just after the financial statements. Some footnotes, such as disclosing the company’s significant accounting policies, are standard. Other footnotes are included only if needed to provide useful information to the readers of the financial statements. Examples of footnotes include classes of property and equipment, contingent liabilities (such as pending lawsuits), and related party transactions.

Statement of Functional Expenses

Voluntary health and welfare organizations are required to provide a statement of functional expenses, and all nonprofit organizations are encouraged by SFAS 117, *Financial Statements for Not for Profit Organizations,* to report expenses by functional classification. The statement of functional expenses shows a breakdown of both by expense type (salaries, rent, etc.) and by program and supporting services (Berger, 2008).

The classifications in a statement of functional expenses include reporting expenses by program, management and general (administrative), and fundraising. Program expenses show goods and services used to fulfill the charitable purpose of the organization. Administrative expenses include the cost of management, record keeping, budgeting, finances, and other administrative activities. Fundraising expenses include the cost of fundraising staff, campaigns, and events.

The underlying premise of the statement of functional expenses is that an efficient nonprofit organization is one that minimizes its costs of fundraising and administration. Therefore, this statement is used by donors, grantmakers, and other external parties to evaluate the effectiveness and efficiency of the administrative and fundraising efforts of nonprofit organizations. The statement also provides a basis for comparing one organization to another. Donors normally want their donations to be used for programs and services rather than excessive administrative and fundraising expenses.

Audited Financial Statements

Most nonprofit organizations are required to have an annual audit. The audit is usually performed by a certified public accountant (CPA). The audit tests the financial information of the organization and determines if the financial statements are prepared in accordance with GAAP. Once this determination is made, the CPA issues an opinion about the financial statements. The opinion letter can be found in a complete set of annual audited financial statements, placed before the financial statements. Additional information about audits and opinion letters is provided later in the chapter.

A couple of resources are recommended for more information about nonprofit financial statements. *Understanding Nonprofit Financial Statements* by Steven Berger (2008) provides detailed explanations of all sections of each financial statement. The book also includes a CD-ROM with templates for presenting financial statements. *How to Read Nonprofit Financial Statements* by Andrew S. Lang and L. A. Rocha (2002) includes plenty of financial statement examples and is formatted as a workbook with some financial statement analysis exercises to work through. Answers to the exercises are also included.

Internal Reporting

For nonprofit leaders, internal program managers, and board members, annual reporting will not provide timely enough feedback to make important decisions throughout the year. Therefore, nonprofit leaders typically establish a schedule of internal financial reporting. This is called interim reporting because it provides additional reporting in between the annual financial statements. These reports provide timely feedback to allow management to take corrective action and make better decisions. The most common timeframe for internal reporting is monthly, but it can be as often as daily for certain financial indicators. For example, nonprofit hospitals, which typically have sophisticated revenue-reporting systems, may track revenue by department (radiology, laboratory, etc.) on a daily basis. Although not required, interim reporting is often done in accordance with GAAP to provide consistency and prevent surprises with the annual audited financial statements. Some common internal reports are explained next.

Current Month Actual Versus Budget

This report shows current month revenues and expenses with a comparison to budget. It could also include a comparison to previous months and same-month, prior-year actuals. A budget is a financial projection or plan for an organization. It is very useful for nonprofit leadership to compare actual financial results against the plan. Investigating the reasons that revenues and expenses exceeded or were below budget can provide useful insight into both positive trends and negative trends that may need corrective action. It is common to report the statement of activity internally on a monthly basis compared to the budget. The difference between the actual financial results and the budget are called a budget variance.

Current Year-to-Date (YTD) Actual Versus Budget

This report shows YTD revenues and expenses with a comparison to YTD budget. It could also include a comparison to the previous year's YTD actuals. Any large variances between actual and budget should be investigated. Because this report covers a longer period of time than the monthly reports, it can smooth out the impact of short-term blips in revenues and expenses and provide a better overall picture of operations.

Responsibility Reports

Internally, nonprofit organizations often take the total financial results of the organization and break them down by program or department. In a large organization, such as a hospital, there will be a separate manager responsible for each program or department. Program or department reports give the manager a picture of the financial results in the areas for which he or she is responsible. Obviously, this helps the managers to make better operational decisions. Program or department statements also provide a basis for evaluating the performance of those managing the program or department, which is why they are sometimes referred to as responsibility reports.

Cash Management Reports

Another important internal document is a cash management report. Cash management reports are important because cash cannot be spent until it is received in hand. The actual format of the report will vary from organization to organization, but the purpose will generally be the same. A cash management report will help management understand the amount of cash on hand, cash collections expected to be received, and expected cash outflows. The projected ending amount of cash will help determine if there will be enough funds to pay the expenses or if there will be a cash shortage. The organization will need to begin investigating how it will address a cash shortage as soon as it is projected in the cash management reports. In large nonprofit organizations, if there is a large cash surplus, managers may decide to invest that surplus to earn higher returns.

Other Internal Reports

At least on a monthly basis, it is important to identify and review other financial information that is necessary for operations and decision making. These other internal reports will vary by size of the organization, industry, and so on but could include: accounts and/or pledges receivable, with a breakdown between current and overdue accounts; total accounts payable outstanding (purchases recorded but not yet paid) by due dates, and total payroll disbursements (Robinson, 2006).

Additional External Financial Reports

In addition to the annual audited financial statements, other reports are used by those outside of the organization, including various reports required by the federal and state governments.

Form 990

Federally tax-exempt nonprofit organizations that have incomes of more than $25,000 and all 501(c)(3) private foundations regardless of income must file an Internal Revenue Service (IRS) Form 990. Most faith-based organizations, nonprofits with incomes of $25,000 or less, nonprofits that have not received tax-exempt status from the IRS, and subsidiary organizations covered under a group return filed by the parent organization are not required to file a Form 990.

The IRS Form 990 is a federal reporting tool for nonprofit organizations. Because most nonprofit organizations are also tax exempt, the purpose of the Form 990 is not to determine taxable income. Instead, Form 990 is used to report information on an organization's programs and activities. Major sections of the Form 990 include financial information (normally taken from the audited financial statements), explanation of major programs, and compensation information. There are also 16 supplemental schedules that are designed for reporting information from organizations that perform specific functions. Form 990 provides an easy way for donors and other stakeholders to gather financial information about a nonprofit organization. Because of the standard format, the forms may also serve as a tool to compare one organization to another.

Form 990s are public information and are available from the government at www.guidestar.org. GuideStar is an online database of information on the activities and finances of nearly a million nonprofit organizations. Once a username and password are established, a user has access to all 990s that are filed. One exception to public availability is the list of donors over $5,000. Donor information is reported to the federal government but may be kept private from the general public.

Form 990-EZ

Form 990-EZ is a short-form version of the Form 990. Small nonprofits meeting income and asset size requirements may file the 990-EZ. However, some small nonprofits that would otherwise qualify to file Form 990-EZ with the IRS are required to file the full Form 990 with their state, so many just choose to file the longer form with the federal government also.

Form 990-PF

All private foundations are required to file a 990-PF with the IRS. The form contains extensive details on the foundation's operational expenses as well as its grantmaking. Private foundations must provide detailed financial data, a complete list of grants awarded, the names of the foundation's trustees and officers, and other information on the foundation. The Form 990-PF may be the only source of a complete grants list for smaller foundations. The amount of detail provided on each grant will vary from foundation to foundation. In addition to being available at guidestar.org, Form 990-PF can be found at foundationcenter.org.

Form 990-T

Even though an organization is recognized as tax exempt, it still may be liable for tax on its unrelated business income. An exempt organization that has more than $1,000 of unrelated business income (UBI) must file a Form 990-T, *Exempt Organization Business Income Tax Return* (www.irs.gov). This form is filed in addition to the Form 990 if an organization has sources of revenues that are not related to its charitable purpose. For example, if a hospital provides a pharmacy to its patients, this is considered related income. However, if the same hospital operates a pharmacy for the general public, this is considered unrelated business income and must be reported on the Form 990-T. If the organization reports a surplus from the unrelated business income, then it would be required to pay taxes on the unrelated business activity. However, in many cases, the costs associated with unrelated business income exceed the revenue generated, and in those cases, no tax is due.

Form 990-N

Beginning in 2008 for fiscal years ending on or after December 31, 2007, small tax-exempt organizations whose annual gross receipts are normally $25,000 or less may be required to electronically submit Form 990-N. Also known as the e-Postcard, Form 990-N is filed electronically by answering fewer than 10 questions in an online form found at www.irs.gov. This reporting will allow many nonprofits who were formerly exempt from any federal reporting to at least report their existence on an annual basis.

Form 990 received a major overhaul in 2008 in an effort to improve transparency, increase tax compliance, and better facilitate consistency in reporting by charities and foundations. This was the first major revision to the Form 990 since 1979 and was needed to account for the changes in the sector and in the ways the public are using information from the 990.

Annual Reports

Annual reports are optional for nonprofit organizations, but they provide useful information to donors and other external parties. Annual reports "tell the story" of the organization. Annual reports can do the following for a nonprofit organization: (a) communicate not just financial activities, but accomplishments during the past year; (b) convince existing supporters that their funds are being well spent and help organizations raise money by attracting new donors; (c) educate community leaders and influential decision makers about work on important issues; (d) recognize special people, including donors and volunteers; and (e) serve as a historical record of the organization's progress (Miller, n.d.). Most large nonprofit organizations post their annual reports on their websites. Reviewing what other organizations are doing can help generate ideas for annual reports.

License to Solicit

Each state establishes its own laws to govern charitable solicitations and may or may not require a nonprofit to register before soliciting donations. A nonprofit organization must fulfill all registration requirements before raising funds in a certain state. A few states don't require registration at all, and there is not much uniformity state to state on the main requirements, much less on the finer details. Even if an organization raises funds only online, registration is still required.

In most states that require them, registrations must be renewed annually. Each state's requirements and deadlines for renewal vary, as do fees for registration. An organization that does not register properly in other states before fundraising risks penalties and possibly even felony charges.

State Reporting

Each state may establish additional reports that must be prepared by nonprofit organizations. The secretary of state's office is a good place to start to find out about any additional state reporting requirements. In addition, if a nonprofit organization is incorporated, the state may require annual filings or informational reports.

Audits

Annual Financial Audit

Most large nonprofit organizations will obtain an annual financial audit. Usually, these audits are done by CPAs. Whether or not a nonprofit organization is required by law to have an annual audit is normally determined by state requirements. One determining factor is the amount of public support the nonprofit organization receives. In addition, if the nonprofit organization issues bonds or has borrowed money from a financial institution, it may be required to have an annual audit. Even if an organization is not required to have a full audit, it may be required to have a review, which is similar to an audit but smaller in scope. Finally, even if not required by law or by creditors, an organization may still elect to have its financial statements audited or reviewed by an independent auditor.

The audit tests the financial information of the organization and determines if the financial statements are prepared in accordance with generally accepted accounting principles. Once this determination is made, the CPA issues an opinion about the financial statements. An unqualified opinion letter is issued if the CPA determines that the financial statements are prepared in accordance with GAAP. An unqualified opinion is the highest level of assurance that an audit can provide. A qualified opinion letter is issued if the CPA has reservations about something in the financial statements, such as a minor departure from GAAP. A qualified opinion letter serves as a caution to the users of the financial statements and normally provides explanation of the qualification. An adverse opinion indicates a major problem with the financial statements, which may not fairly represent the financial position of the organization. A disclaimer of an opinion is issued when the CPA cannot form an opinion about the financial statements, for example, because of incomplete accounting records.

Audits can be expensive. One way to reduce the expense of the annual audit is to be prepared. Meet with the auditor ahead of time and discuss the timing of the audit and what the auditors will need. If the auditors have to spend time looking for data and preparing schedules that staff could easily provide, the length and cost of the audit will increase (O'Reilly-Allen, 2002). The article, "How to Have an Audit Without Breaking the Bank" by Margaret O'Reilly-Allen provides useful information to prepare for the audit. Preparation helps to minimize the amount of time spent with the auditors and the cost of the audit.

The audit concludes with a meeting to deliver the audited financial statements and answer any questions regarding the financial position of the organization. The meeting may include the auditors, board members, and top managers in the organization. The audit committee (explained below), or the board of directors if a committee does not exist, should request time to speak with the auditors without management present.

Audit Committee

The Sarbanes-Oxley Act of 2002 requires that publicly traded companies establish a competent audit committee that is independent of the board. Although nonprofit organizations are not subject to most requirements of Sarbanes-Oxley, many have elected to establish an audit committee due to the oversight that one provides. In addition, California was the first state to enact legislation that requires large nonprofit organizations to form an audit committee (Berger, 2008).

The responsibilities of an audit committee include selecting an auditor and accepting the results of the audit.

In addition, the audit committee provides independent oversight over the accounting and financial reporting of the organization. Without a separate audit committee, the board would still have these responsibilities. The American Institute of Certified Public Accountants (AICPA) has established the *AICPA Audit Committee Toolkit: Not for Profit Organizations* to assist board members with establishing and working with an audit committee. The toolkit is available at www.aicpa.org, and permission is granted on the website for users to download the tools and tailor or customize for internal use.

The audit committee is normally made up of existing board members. All members of the committee should be financially literate, and at least one should have enough expertise to understand and analyze the financial statements and evaluate the performance of the audit firm. However, if the board does not have sufficient financial literacy, and if state law permits, it may form an audit committee of nonvoting, nonstaff advisers rather than board members.

How to Select an Auditor

When selecting a CPA firm to be the organization's external auditor, it is good to keep in mind "You get what you pay for." In other words, don't select an auditor because he or she offers the lowest fees. Inexpensive audit firms may also offer the lowest level of service. It is important to consider the auditor's knowledge of nonprofit organizations. Some accounting standards apply only to nonprofit organizations, and there are additional standards if an organization receives federal funding. Not all CPA firms are experts in nonprofit accounting standards. It may also be important to consider specific industry expertise, such as in the health care or insurance industries. Good sources for recommendations of CPA firms include board members and other nonprofit organizations. Once an auditor is selected, it is still a good idea to review the terms of the audit's engagement at least every 5 years.

A-133 Audit (Single Audit)

If a nonprofit organization receives more than \$500,000 in federal funds, the organization must have an A-133 audit, as directed by Circular A-133 issued by the Office of Management and Budget. This is also referred to as a single audit. The A-133 audit tests financial statement information, like a nonfederal audit. However, an A-133 audit puts more focus on tracking and classifying revenue from federal funds. In other words, the A-133 audit requires testing of both the financial statements and federal awards. If an A-133 audit is performed, two additional statements, the Schedule of Expenditures of Federal Awards and the Schedule of Findings and Questioned Costs, are included in the organization's annual audited financial statements.

Internal Audits

Internal controls are designed to provide reasonable assurance that the following organizational objectives are achieved: (a) effectiveness and efficiency of operations, (b) reliability of financial reporting, and (c) compliance with applicable laws and regulations. Nonprofit organizations have varying forms of internal controls to help them achieve these objectives. An organization's internal controls can be very obvious and simple. For example, locking the building at the end of the business day helps to protect the assets stored within the building. Doing background checks on future employees reduces the potential of hiring a dishonest employee who might falsify time records or steal from the company.

A nonprofit organization may hire an internal auditor to evaluate the effectiveness of its internal controls and to make recommendations for improvements. The internal auditor is an employee of the organization but may report directly to the board of directors or audit committee. Internal auditing frequently involves testing compliance with the organization's policies and procedures. The internal auditor does testing to see whether or not polices and procedures are being followed and whether the internal controls are working. Not all nonprofit organizations have the resources to employ an internal auditor, but the concern over keeping good internal controls should be the responsibility of everyone in the organization.

Fund Accounting Basics

Much of the accounting for nonprofit organizations is the same as in for-profit businesses. By definition, accounting is a system of reporting useful information that makes a difference in decision making. For-profit or nonprofit, accounting is important for making effective decisions because accounting is the language of business. As explained earlier in the chapter, accounting rules called GAAP are established by the FASB. However, some special accounting rules apply specifically to nonprofit organizations.

To demonstrate accountability and stewardship of monies given for different purposes, nonprofit organizations use a special accounting financial reporting method called fund accounting. Fund accounting is also used by state and local governments. In fund accounting, the reporting system is organized and accounted for through separate funds. Each fund is balanced and reported separately, as if it were a separate entity. One fund will report a source of revenue and how that revenue is spent. Fund accounting allows a nonprofit organization to report its restricted and unrestricted resources separately. In addition, any restricted resources earmarked for different purposes would also be reported in separate restricted funds. A new fund is established every time there is a unique accounting situation with a unique set of accounting rules.

GAAP does not specifically indicate what funds an organization should use. Instead, nonprofit leaders must select and use those funds that they deem appropriate in the circumstances. Some different types of funds that would be considered include (a) unrestricted, (b) designated, (c) temporarily restricted, (d) plant, (e) permanently restricted (endowment), (f) board designated, and (g) agency. An organization may have multiple funds under each type. For example, a separate temporarily restricted fund will be set up for each grant that an organization is awarded.

Unrestricted Funds

Unrestricted funds may be used at the management's discretion for achieving the organizational objectives. Some nonprofit organizations have only unrestricted funds, especially those where gifts and grants are a very small percentage of their revenue. The unrestricted fund of some organizations is referred to as the general fund.

Designated Funds

Designated funds can be used for unrestricted monies that the nonprofit organization chooses to segregate for an earmarked purpose. For example, a fund may be set up to account for smoking cessation classes presented by the nonprofit organization. The class fees and expenses could be tracked in the designated fund.

Temporarily Restricted Funds

Restricted funds have external restrictions stipulating how they are to be used. Restricted funds usually come from grants and gifts from donors who specify how the gift should be used. Restricted monies with different sets of restrictions should be accounted for in separated funds. Funds with a donor-imposed restriction that permits the organization to use up or expend the donated asset as specified and is satisfied either by the passage of time or by actions of the organization are called temporarily restricted funds.

Plant Funds

Plant funds are used to record acquisition of assets, replacement of assets, paid-off debt, and the investment in assets (equity).

Endowments/Permanently Restricted Funds

Endowment funds are used to report permanently restricted monies. The endowment fund, usually established through a gift or bequest, must be maintained permanently, but generally, the income earned on those resources can be expended. The use of the earned income may or may not have specific restrictions. The original funds and any additional principal cannot be withdrawn, spent, or otherwise exhausted.

Board-Designated Funds

Board-designated funds are set aside by an organization's board, which maintains the power to release the restriction on principal spending. Sometimes, these are also called quasi endowment funds. Additional reserve funds, bequests, and other unrestricted gifts are often used to set up this fund type. The funds are held by board resolution and therefore can have policies and procedures that allow withdrawal of principal. Board-designated funds are not restricted. Funds can be restricted only by the donor. Therefore, when the board restricts or designates the funds for a purpose, they are still considered unrestricted and reported under unrestricted net assets.

Agency Funds

An agency fund is used for resources received and held by the organization as custodian or fiscal agent for others. The revenue does not belong to the organization, and the organization may not pay its expenses from this fund. The funds should be used only for the purpose of the agency fund. Even though the unit is acting as a fiscal agent, it is still responsible for funds and the expenses.

Encumbrances

Encumbrances are used in fund accounting to make sure that restricted funds are not overspent. Encumbrances are recorded to reflect a commitment of funds before the cash is actually paid. For example, if a purchase order is submitted, an encumbrance would be recorded at that time to show the amount and source of funds committed. The actual expense would not be recorded until the expense is incurred.

Board Responsibility for the Nitty Gritty

Finance Committees

The finance committee of the board is responsible for fiscal oversight of the organization. The committee reviews investment policies and monitors the funds of the organization on a regular basis. In addition, the finance committee oversees the preparation of the annual budget. The finance committee may have responsibility for approving large operational or capital expenditures. The finance committee usually reviews the income and expenses of the organization on a regular basis, often monthly. The finance committee, led by the board treasurer, ensures that financial reports are complete and helps present them to other members of the board. The board may establish a separate audit committee, which was discussed earlier in this chapter. Otherwise, the finance committee may assume responsibility for the annual audit.

Summary

Being a nonprofit leader requires an array of skills and knowledge. As a person moves into leadership, there is an assumption that he or she has mastered the skills and knowledge required for the position. One of the fundamental sets of skills required as part of the basic knowledge for positions of leadership is an understanding of the structure and management of the financial system.

In a sector where public opinion and support are very important, having a good knowledge of nonprofit accounting is a necessity for nonprofit leaders. Nonprofit leaders must be aware of both the internal and external uses of their organization's financial information. In addition, nonprofit leaders must understand the affect that financial results have on the ability of the organization to fulfill its purpose. A nonprofit leader needs to understand financial information and how to use that information to make better decisions and help the organization achieve financial health. As they say, no margin, no mission.

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Fraud Awareness in Nonprofit Settings

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An important element of any organization, nonprofit or otherwise, is the fact that there are individuals who, if given the opportunity, will use the resources of the organization for their own purposes rather than the aim or mission of the organization. This tendency to divert resources to one's own use or benefit can be an all too frequent flaw in human nature. In the nonprofit sector, where scarce resources are the norm and the consequences of any publicized fraud even further devastating to the organization, leaders need to be alert and vigilant about the possibility of fraud. Leaders are advised to keep a trained eye on areas within their settings that are most susceptible.

The goals of this chapter are several. One objective is to present current issues and statistics of the present state and extent of the fraud problem, specifically as it relates to the nonprofit sector. Another objective is to relay several real-life examples of various fraud endeavors. A third objective is presenting an existing well-documented framework for trying to detect fraud that is widely used in practice. A hypothesized scenario is provided for readers to practice their understanding of assessing specific fraud conditions. Finally, suggestions will enable existing and potential leaders to know what to expect, as well as methods to insulate themselves and their organizations from this troublesome reality.

Frequently Asked Questions About Fraud

To enable an initial basic understanding of some issues and questions around fraud in the nonprofit setting, some frequently asked questions and responses are set forth in this section.

Q: What is the difference between internal fraud that is perpetuated "by" versus fraud "through" a nonprofit organization? (Zack, 2003, p. 8).

A: Fraud endeavors "by" a nonprofit entail insiders doing something to benefit the organization, such as deceptive fundraising practices. An example is overreporting to potential donors the extent of deductibility of a particular fundraising ticket. Another example involves overstatement of staff resources actually used by the organization so that they can obtain excess grant funds through reimbursement. A fraud endeavor "through" a nonprofit would be if insiders abused their position of trust to benefit themselves. An example of this is stealing donations intended for the benefit of the organization.

Q: What is the definition of *occupational fraud?*

A: Occupational fraud is defined as "the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets" (Association of Certified Fraud Examiners, 2005–2006, 1.301). Occupational fraud is delineated by three classifications: corruption, asset misappropriation, and fraudulent financial statements.

Q: What do corruption schemes entail?

A: Typically, corruption schemes fall into one of four classifications: bribery, economic extortion, illegal gratuities, and conflicts of interest. There is a difference between bribery, which occurs when something of value is offered to influence an official act, and an illegal gratuity, which is where the item of value is given to reward an employee for a decision (Wells, 2004). An example in the nonprofit setting would be accepting a kickback from vendors. Economic extortion is almost the opposite of bribery, as it typically involves a threat to pay or some kind of negative consequence will ensue. One example of economic extortion is where the grantor solicits personal funds from a grantee, with the implication that if they are not received, the grantee will not be considered for upcoming grant awards.

Q: What are some examples of corruption schemes in the form of undisclosed conflicts of interest related to nonprofit settings?

A: The most common conflicts of interest for nonprofits pertains to board members or management with hidden financial interests in entities with which the organization is doing business (Zack, 2003). Purchase schemes might include bid rigging or the purchase of excess or obsolete inventory solely for the vendor's convenience or purchases that are otherwise questionable.

One related example involving controversy involves Wyclef Jean, a Grammy-winning hip-hop performer, whose small charity, Yéle Haiti Foundation, in the past has garnered criticism for not maintaining the basic records required of nonprofit entities. For example, tax returns and other reports were not filed each year as expected. Subsequent to the insistence of the Illinois attorney general, who requested filed reports, it was revealed that $250,000 was paid [the foundation paid $250,000] to a television station owned by Mr. Jean and his cousin, who is a board member. Additional funds were paid to recording studios linked to these same parties. While such payments from the charity may have been legitimate, the organization would have benefited from full and open disclosure. In a tearful news conference on January 18, 2010, Wyclef Jean claimed he behaved appropriately and received clean audits. The Yéle Haiti Foundation has reaped more than $2 million from texted giving alone related to the Haiti earthquake (Strom, 2010). Such large amounts will likely lead to increased scrutiny from regulators in the future.

In other conflict of interest schemes, a board member might siphon off clients, or resources might be diverted to the development of an executive's own businesses. One example of this was an embezzlement of $25 million from Goodwill Industries of Santa Clara County in California between the 1970s and 1998. This case involved multiple individuals taking donations of goods, personally selling them, and keeping the proceeds. The fraud was uncovered only when one of the participants acted as a whistle-blower (Strom, 2008).

Q: What does it mean to *misappropriate* an asset?

A: Asset misappropriation is the theft of assets, whether in the form of cash or noncash. There are many schemes to achieve asset misappropriation, including larceny, which is the legal term for stealing (Wells, 2004, p. 3). One scheme known as skimming cash occurs when cash is stolen before it is entered onto the books. Other forms of asset misappropriation include fraudulent disbursement schemes related to billing, payroll, expense reimbursement, check tampering, and register disbursements (Association of Certified Fraud Examiners, 2008).

Q: What is the purpose of fraud perpetuated in the form of fraudulent financial statements?

A: Typically, issuing fraudulent financial statements, otherwise known as "cooking the books," is done to conceal true business performance (the objective might be to overstate or understate the entity's circumstances), to preserve personal status/control (often, this is ego related), or to maintain personal income such as salary in the event the organization is not doing well (Wells, 2004, p. 326). More attention or understanding of this area is provided in the subsequent discussion of incentives later in the chapter.

Q: How much money is lost to fraud in the nonprofit sector annually?

A: One study estimates the loss at $40 billion annually (Greenlee, Fischer, Gorden, & Keating, 2007).

Q: What characteristics of nonprofits make vulnerability to fraud different from the private sector?

A: The following characteristics result in organizations in the nonprofit sector being susceptible to fraud (Zack, 2003, p. 3):

An environment of trust

Excessive control by founder, director, or major contributor

Failure to include someone with financial expertise on the board

Job security linked to financial or program reporting (e.g., government grants)

Inadequate resources devoted to financial management

Nonreciprocal transactions (e.g., contributions) are easier to steal than other types of revenue

Q: What precautions by nonprofits can lessen the exposure to fraud, since these organizations frequently rely heavily on the use of volunteers?

A: Background checks on financial and criminal activities are recommended for board members and management, as well as for anyone who will have ready access to cash. In addition, fidelity bond insurance serves as a mitigating factor in the event of losses. However, such insurance will typically require that the organization have specified internal controls in place and maintain these controls on an ongoing basis or the insurance policy does not have to be paid (McNeal & Michelman, 2006).

Q: What precautions are nonprofit organizations taking to ensure that inadvertent channeling of funds to organizations that in reality are terrorist organizations does not occur?

A: The original 2002 U.S. legislation was revised with "Anti-Terrorist Financing Guidelines: Voluntary Best Practices for U.S.-Based Charities" (U.S. Department of Treasury, 2005), which is intended to protect charities from this abuse. In addition, many large foundations protect themselves by requiring—before grants are awarded—that grantee organizations certify they don't engage in terrorist activity; some foundations further check their grantee names against government lists daily (Brody, 2008).

Walking in the Shoes of Nonprofit-Leader Nichole

For a realistic example of one leader's concern, meet Nichole, who nearly a decade ago was a 30-year-old, recently appointed director of a transitional homeless shelter organization, which had existed in some form for several decades in a local community. This particular nonprofit, while well intended, had a checkered past for several reasons. The reasons include that the homeless population is difficult to serve, and funding is always insufficient because the cause itself is not a pretty one and because many homeless are "off the radar," and the true need not exposed. Also in this case, the shelter was in a poor section of the community. A couple of years earlier, the office had been broken into, and someone had stolen the sole computer and the only copy of financial data and records. Neither records nor computer were ever retrieved.

Consequently, previous executive directors of the organization had been coming and going, almost as though there was a revolving door. The same was true of board members because it was hard to find people willing to serve in unpaid positions on the board; a few key players had been with the organization from the beginning. Nichole had experience from her prior position as a caseworker with another homeless-related organization, but she was simultaneously excited and terrified in her new position. She had been on the job less than a year when she had a conversation that went something like this during a meeting with Ann, who was a CPA by profession and who had just committed to serve as a new board member.

Transcript: Nonprofit-Leader Nichole Expresses a Proactive Fraud Awareness

Nichole: I am terrified of something going wrong under my watch. I so want to make this organization work.

Ann, CPA: Why are you terrified? You know so much about homelessness. I was in awe of you at that first board meeting last week that I attended.

Nichole: Thanks for your vote of confidence. However, I don't want to have the board talk about me someday like they did that director two times back before me. I think they believe she was stealing, or just flat out incompetent. Everything was an awful mess for the organization at that time.

Ann, CPA: Oh, I now see why you would be concerned. What is your biggest fear right now in your position, Nichole?

Nichole: That someone will accuse me of stealing donations. The cash flow is so tight, but I don't want them to assume it is tight because they suspect me of doing something wrong. A lot of cash donations are simply not flowing in, like I wish they would.

Ann, CPA: OK, then tell me what controls are in place?

Nichole: I don't think there are any.

Ann, CPA: Well, who is doing the bank reconciliations, for example?

Nichole: It was supposed to be John, who is on the board, but he has not asked me for the bank statements in over 4 months.

Ann, CPA: That's not good. What about the front-end process where cash comes in? I assume that most of the donations come to you as cash or checks, and the drawing down of cash from your grantor entities that come to you in the form of checks in the mail. Is this correct?

Nichole: Yes, but it hardly ever is cash, just mostly checks that come in the mail.

Ann, CPA: Who opens the mail?

Nichole: I do, and I typically make a note to have a thank-you letter sent to the donor, as we are supposed to do that as a tax-exempt organization. Is that the right way to do it?

Ann, CPA: Well, what do you do with those notes?

Nichole: After the secretary sends the letters, I guess she throws them away.

Ann, CPA: So there is no permanent record of the checks as they come in?

Nichole: Well, I give them to the bookkeeper to put in the system and take to the bank.

Ann, CPA: What if a check was lost in between time?

Nichole: Oh, I see what you are saying.

Ann, CPA: Would it be too much of a hardship to keep a notebook of a pre-list of checks that come in, by day, and with the donor's or grantor's name and the amount?

Nichole: No, that wouldn't be bad. The secretary could even write the letters from that list. Why would this help?

Ann, CPA: I think we need to control at the front end, and we need to check and verify at the end of the process as well, at the reconciliation end, to account for the completeness of flow from start to finish.

Nichole: So do you want me to do the bank reconciliations? For some reason, that was never listed in the job description that I was given.

Ann, CPA: No, you really shouldn't be doing that, not if you are involved at the beginning. We need someone who is independent of the entire process.

Nichole: Does that mean the bookkeeper shouldn't do the reconciliation either?

Ann, CPA: That is correct. How many staff members do you have?

Nichole: Just one case worker and the bookkeeper who work full-time. The phones are staffed with volunteers and an occasional college intern.

Ann, CPA: Oh my. Your staff is small. You really do a lot with just a little bit of resources. All those different wonderful programs you are doing. The food pantry, meeting with the referrals, the follow-up on residents with drug and alcohol testing. . . . I see there is quite a need here to keep this organization running smoothly, even apart from the financial area.

Nichole: Yes, but we are serving so many clients.

Ann, CPA: Yes, and that is what the mission is, for this organization. I am going to recommend that we have a member of the board, not the treasurer who signs the checks, do the bank reconciliations on a routine basis, monthly. And, let's make it formal. Let me see your administrative policy manual.

Nichole: We don't have one.

Ann, CPA: OK, then we are going to have to develop one. That is probably something I could help get drafted, but I will need some help from you to find out more about the existing practices.

Nichole: That would be great. I would really appreciate that.

Ann, CPA: Does your bookkeeper make a daily run to the bank and deposit all checks and cash intact that have been received for the day?

Nichole: Yes, she does. We have a small petty cash fund, but we handle that separately. She does not keep any cash out of what comes in.

Ann, CPA: I am glad to hear that. Tell me, who are your current auditors?

Nichole: We haven't had an audit since 2 years back, when we were required to. I think we are under the threshold to be required to have one, and there just hasn't been the cash to do that, or the need. Also, frankly, we never had the cash to pay for our last audit, but the firm has been very understanding and did not turned us in to the collection agency.

Ann, CPA: Oh, I see why they were hoping to get someone who likes financial matters to be on the board. We have a lot of work to do to get us to where the organization is wanting to be in terms of our expansion. The timing of my joining the organization seems to be just right.

Nichole: Oh, I think so, I so appreciate your help.

Ann, CPA: OK, and I appreciate your sincere responses to my questions. We will talk more as we get this under way.

Nichole: Thanks, Ann.

Ann, CPA: You are very welcome. Now let's talk about who is authorized to sign checks for the organization. . . .

Debrief of Ann, CPA, and Nichole's Interchange

Notice that, in the above interchange, Ann, CPA, is recommending a number of internal controls. First, Ann attempts to clarify and delineate a line of responsibility and authority over certain tasks related to cash. Cash is something that is easily stolen from an organization, but if a few controls are in place, cash is easy to protect. Notice from the beginning, Ann is pushing for a form of documentation of the cash as it arrives. She is happy when she hears it is delivered to the bank intact. She is prepared to document formally some procedures and some preassigned responsibility for reconciliation of cash.

Furthermore, Ann, CPA, is careful to consider an important internal control called segregation of duties, or separation of duties, as it is sometimes called. Opportunities for fraud are severely diminished through segregation of duties. This entails the separation of the preassigned responsibility for each of three areas related to a given transaction process: authorization, record keeping, and custody. The transaction process might be revenue related, expense related, or asset related; the assets might take the form of cash, or inventory or supplies. In very small nonprofits with few employees, an ideal segregation of duties is difficult to achieve, but with the involvement of board members, it can be facilitated. Also, if monitoring or supervision are present, or even the perception that there will be follow-up, this can help make up for the lack of ideal segregation of duties.

Finally, several of the vulnerabilities of nonprofits discussed previously were visible in this interchange. It is typical in a mission-driven organization to minimize the role and importance of financial management. It is common not to be able to find enough individuals in a community with financial expertise to provide voluntary service to all of the nonprofits that need such service. At the same time, note the strong respect and trust that Ann, CPA, is placing in Nichole for her expertise in the field of homelessness. Finally, it is a common characteristic for nonprofits to be understaffed, but with highly committed individuals. Much of this is tied to the position of trust and control and drive that they feel to single-handedly, if necessary, keep this organization viable.

In the Words of Billy Joel: It's a "Matter of Trust"

Nonprofit founders and directors share a commonality with private entrepreneurs in that they have passion and drive to beat the odds that would make many say that "it simply can't be done." Never underestimate the drive of people in any organizational setting to see some kind of dream that they have reach fruition. Indeed, when this dream is shared with others, it is magic in the making. Yet, there are shared challenges in this commonality, and that is sustaining the drive and inherent trust beyond the founder or charismatic leader. Second and third generations of family businesses can wane in their commitment to the vision of the founder; this can happen, too, in the world of nonprofits. Although some of this is remedied through a shared sense of commitment to mission, it is only common sense to predict that those who follow may lack the exact same drive and values of their predecessors. Hence, where trust may wane over time, let internal controls help strengthen the structure originally built on trust.

In these settings, trust can often cloud the judgment of organizational members. One example involves health care facilities, where the physicians who are experts at healing have little interest in matters of finance and accounting and prefer to leave that to trusted employees. Due to the complexities of insurance billing, co-pays, and deductibles, medical practitioners become discouraged from active involvement in ongoing operations. Even when it was learned that an employee had used the facility's credit card to pay for personal vacations, the physicians ignored the red flag because the employee claimed to have reimbursed the expenses. He hadn't done this, and in fact, he maintained two credit accounts in the name of the partnership. When queried about why there were two accounts, he said he was using them to improve the credit rating (Hughes, 2007).

The professionals in medical settings are not alone in their lack of interest in operating procedures. Most individuals who are passionate about the issues and mission of their nonprofit organizations, whether it be animal rescue, education, homelessness, social welfare, or the arts, do not naturally possess the skills or even the awareness or understanding that would insulate them from fraudsters. Typically, leaders have a natural passion related to the mission and less interest in the nuts and bolts of operations. Leaders, regardless of whether they want to or are particularly good at it, have a responsibility to pay attention to the red flags that emerge or to ensure that others in the organizations who possess skills of fraud awareness are taken seriously. This will prevent fraud from surfacing in the organization and deter even larger problems that can emerge related to legal issues, publicity, and financial devastation.

Nonprofits often do not want to prosecute offenders. Behind this is the thought that the negative publicity will hurt the organization in worse ways than the fraud already uncovered, which has been fixed through controls that were placed in operation immediately. Negative publicity may compound the damage to the organization. The United Way of the National Capital Area, for example, suffered after its former chief executive pleaded guilty to defrauding the organization of $500,000. After the scandal, the organization was able to raise only $19 million annually compared with $90 million prior to the scandal. As a result, the organization had to lay off half of its workforce (Brody, 2008) and slowly try to rebuild the public's trust.

Does requiring those who are caught to serve jail time help serve as a deterrent to others? In 2009, a woman from a small town in the Midwest pleaded guilty to stealing from a cemetery association for a period exceeding

2 years. She agreed to pay restitution for that crime as well as two thefts for which she was not charged—clubs that related to the local schools' sporting activities. The restitution in total was an amount less than $50,000. During her hearing before being sentenced, the 43-year-old woman stated that she knew what she was doing was wrong, but she was unable to control herself, and the thefts had become easy to do. Character witnesses testified to being shocked, as they believed her to be "kind, loving, reliable, and trustworthy." The prosecutor used the very fact that she was in a "position of trust" to argue for a jail sentence. In a smaller community, where the feeling is of "one big family" and someone violates the trust, it "certainly affects the community as a whole." The judge sentenced her to a number of weekends in jail, along with a period of probation.

Sometimes, the breach of trust extends beyond the fraud perpetrator to include the auditors. In a Midwestern city in 2008, a long-time bookkeeper had stolen from a country club for a period of at least 5 years. In this case, the bookkeeper put her husband on the payroll, although he never worked, overpaid herself and family members, and perpetrated other improper disbursements. In this case, the country club sued its auditors for failing to catch her misdeeds, citing specific audit procedures that were troubling, including the fact that the auditors reported obvious problems with internal control only to the bookkeeper.

Research on Prevalence and Types of Nonprofit Fraud

The Association of Certified Fraud Examiners (ACFE) is a worldwide provider of antifraud training and education, founded in 1988. Its chairman, Joseph T. Wells, some years ago thought that a report of actual data would serve to highlight the costs and effects of occupational fraud. Since 1996, there have been updates of this report, typically based on actual cases of fraud reported by certified fraud examiners who investigated and resolved them (ACFE, 2008). Chairman Wells was correct in hoping to highlight fraud costs to society as these reports have indeed served to spur media and public attention, as the data from the reports often make their way into the popular press.

The fifth edition of the *Report to the Nation,* for frauds investigated between January 2006 and February 2008, was compiled from 959 cases provided by certified fraud examiners. They said that 14% of reported fraud cases took place in nonprofit organizations, a figure entirely separate from the 18% reported in government agencies (ACFE, 2008, p. 24). The median loss for nonprofit organizations was $109,000, and the fraud schemes had a median length of 24 months from start until discovered (ACFE, 2008, p. 25).

For all 905 cases in which industry information was available, four industries commonly associated with nonprofit settings were highlighted: (1) health care; (2) education; (3) religious, charitable, or social services; and (4) arts, entertainment, and recreation. The number of cases reported respectively for these industry settings were 76, 59, 39, and 16. Certainly, some of the organizations within the reported industry may be profit oriented, as this breakdown of data is not provided in the report. When sorted by median loss per industry, the ranking of these four changed to (1) arts, entertainment, and recreation, with a reported $270,000 median loss; followed by (2) health care ($150,000); (3) religious, charitable, or social services ($106,000); and (4) education ($58,000) (ACFE, 2008, p. 28).

Skimming and cash larceny schemes were more common in the health care industry than in all other industries. Both schemes target incoming revenue, but cash larceny had the largest gap as it composed 16% of health care cases, but only 10% of overall cases (ACFE, 2008, p. 30). In education, billing schemes and expense reimbursement frauds were the most common, with each of those categories exceeding the overall rate of occurrence by 10%. Billing schemes manifested in 33% of the cases, while expense reimbursement schemes manifested in 23% of the cases (ACFE, 2008, p. 33).

Historically, tips have been the most common means of detecting occupational fraud in organizations. In 2008, nearly half (46%) of all occupational fraud was uncovered by a tip or complaint from an employee, customer, vendor, or other source. Internal controls detected 23% of the occupational fraud cases (ACFE, 2008, p. 18). An especially insightful finding for nonprofit organizations, based on 129 reported cases, was that nonprofits may be focusing resources on less effective controls. The least common controls implemented by the nonprofit cases were hotlines and management review of internal control, at 31.8% and 27.1%, respectively. Yet, these were associated with the largest reduction in median loss at 59% and 56%, respectively. Many nonprofits reported having in place an independent audit committee (53%) and an external audit of internal controls over financial reporting (52%). These two controls, however, were not as highly associated with a reduction of median fraud loss. The external audit control was associated with a 10% reduction of median loss (ACFE, 2008, p. 40).

Unfortunately, the data related to perpetrators were not broken out by sector or industry, so only generalizations can be provided. Half of the fraud cases involved a fraudster over the age of 40, and 35% involved someone between the ages of 41 and 50 (ACFE, 2008, p. 47). Most (59%) were perpetrated by males, and the median loss was higher at $250,000 for males versus $110,000 for females (ACFE, 2008, p. 53). Many more statistics were provided about the departments where fraud was perpetrated and the schemes implemented by executives and upper management, but the applicability of this data to nonprofits is unknown and therefore not presented in this chapter. This study is freely available on the Internet for readers interested in further investigation of its findings.

How Could There Be Only Three Conditions for Fraud?

Donald R. Cressey, while doing a doctorate in criminology in the 1940s, studied embezzlers, whom he called "trust violators" (Wells, 2004). Cressey is associated with a hypothesis about the circumstances that allow an individual to give in to temptation to commit fraud. That hypothesis gave way to what is presently called the *fraud triangle.* The term is widely used so that Cressey is often no longer credited with being the original source of the theory. For example, many auditors know about the fraud triangle, but not the criminologist who originally generated the hypothesis. This is because when all the high-profile corporate scandals surfaced around the turn of the millennium, the American Institute of Certified Public Accountants issued a new authoritative pronouncement, *Statement on Auditing Standard #99* (SAS99) that specifically addressed and revised the auditor's responsibilities in the area of fraud. While paragraph 7 of this guidance does not use the term *fraud triangle,* it summarizes the ideas of each of its three legs (AICPA, 2002b). In addition, the appendix of the authoritative literature, beginning at paragraph 85, details many fraud risk factors detailed by each of the legs. This appendix summarizes the specific factors that auditors look for or consider as risk of fraud within an organization.

Cressey originally labeled as a "non-sharable problem" what is now referred to within the fraud triangle as pressure or incentive (Wells, 2004, p. 8). Nonsharable problems included several categories: being unable to pay one's debts, problems of personal failure, business reversals, physical isolation, status gaining, and strained employer–employee relationships. For example, more instances of personal failure today are becoming associated with various addictions, the most recent one being gambling and the resultant debts that can ensue. Status gaining is more commonly known by the psychological urge to "keep up with the Joneses." Cressey suggested that violators were too ashamed to share their problems (hence, physical isolation) when, in reality, talking with others at an earlier date might have brought help. Finally, strained employer–employee relations pertain to circumstances where resentment builds due to perceptions of inequitable pay, harassment, or other perceived inequities. An obvious lesson to leaders of organizations is to know your employees and treat them fairly. Although you may not be able to diminish pressure they are feeling in their personal lives, you at least can be alert to potential risks.

Incentives and pressures are forces pushing a potential offender to commit an act, before action was taken. The next step Cressey outlined was that would-be offenders create rationalizations that allow them to consider the stealing acceptable. This is the second leg of the fraud triangle: rationalization. Cressey noted that at least one of three ways was generally used to view the crime: that the action was noncriminal, that it was justified, or that it was part of a situation that could not be controlled (Wells, 2004, p. 11). Used to justify the action before one has taken it, rationalization also justifies refraining from turning one's self in after the fact (Zack, 2003, p. 25). Some rationalizations are: The amount is so small that it will not be missed; others are also doing this; no one is being harmed. A very typical rationalization is to view that the action is not theft but rather a loan—a temporary fix to a situation, which the perpetrator is convinced will be repaid. Whereas managers have little way of reading the thoughts of employees and volunteers, they can take important actions to minimize opportunity.

Opportunity, the third leg of the fraud triangle, is where nonprofit leaders can be most effective. Internal controls, which are many and vary depending on the size of the organization, are imperative to prevent fraud. A good system of internal controls does not make an organization totally safe, but it can make the difference between a mere compromise and the full erosion of the organization. Accountability is more easily achieved with these actions, all of which are appropriate regardless of the size of the nonprofit: authorization and approval, proper documentation, physical security, and early detection mechanisms (Herman, 2004).

In the frequently asked question section earlier in this chapter, internal fraud "by" and "through" nonprofits were distinguished from one another. In emphasizing the opportunity condition of fraud, it is important to realize that this pertains to external as well as internal fraudsters. Two examples follow of how fraudulent behavior can be perpetuated "against" a nonprofit entity. These true examples make good cases of why it is essential to have effective internal controls to close the opportunity door to potential fraudsters in and out of the organization.

The first example involves a small nonprofit that was having trouble getting its records current after having had a lot of turnover among bookkeepers. The current bookkeeper just couldn't get caught up. There was no effective history in terms of procedures, and individuals didn't know exactly what to do. During a board meeting, a conversation about the facility's space needs led one board member to offhandedly comment about all of those green folders taking up several rows of space on a shelf and piling up on the floor. The ensuing conversation among board members prompted the treasurer to identify a string of payments to a vendor for supplies that kept arriving in the mail, even though the director had called and tried to stop them. This situation was traced to a year earlier, when someone had likely given some kind of authorization over the phone for a single order of supplies, which the supplier just automatically kept refilling and sending. Discussion of current options included refusing acceptance of the delivery or complaining about the supplier to the state attorney general. A determined board member volunteered to make several phone calls to get the company to cease and desist and ultimately was effective. If the documentation for an approved purchase order requiring appropriate authorization prior to paying invoices had been in place, this fraud against the entity would not have found an opportunity.

A second example involved a university, which received invoices for advertisements about a university auditorium event in some kind of trade publication or magazine. When the university auditorium bookkeeper received this invoice, which included a copy of the ad itself and the dates it had run, she could not find an approved purchase order, and she suspected she should not pay it. Using Google to see if the business was legitimate, she found that another university in another state was reporting this fraud scheme, specifically targeted to university settings. In this case, an appropriate control system and a trained and alert bookkeeper saved the university from wasting funds. Good internal controls closed the door on that potential fraudster.

An Analysis of a Student-Sponsored Golf Outing: Fraud Potential

A hypothetical situation follows related to an activity a student leader might be involved in that demonstrates elements of the fraud triangle.

University Golf-Outing Scenario

Joe, a senior undergraduate taking a full load of courses, has an average amount of student loans and a typical amount of pressure in terms of finances and time to get his classwork and extracurricular commitments met. Joe agreed to be a part of a committee hosting a golf outing to raise funds for student scholarships in the department. Joe agreed to participate with the understanding that the other four student committee members would share the committee work.

On the day of the outing, Katie, who had promised to help Joe sell door-prize tickets during the outing, does not show up. She texted Joe that she had a paper due and wouldn't be able to make it after all. In addition, Fred, the president of the organization, had intended to sell sodas by driving the golf cart around the course. Fred hands Joe $20 in $1 bills and some quarters, the start-up change he got in advance to purchase sodas from the snack bar. Fred says he is going to golf instead to complete a foursome, and he suggests that Joe just go ahead and sell both the sodas and door-prize tickets.

Fred's foursome includes the other three committee members (Todd, Michelle, and Marie), who had already completed their preassigned tasks. Collecting the registration fees before the event was Todd's job, and he says that everyone who was preregistered showed up, so it appears the golf outing is a success. He looks really proud that the outing has already made so much money before it even begins—at this point, any funds that come in from selling tickets and sodas are the "icing on the cake." Michelle had done a lot of work in advance to get sponsorships of $50 per hole from various community businesses, prominent department alumni, and a few faculty members. Her job was done until cleanup tonight, she announced. Marie had enlisted her sorority sisters to pick up the refreshments donated by restaurants in the campus town. They would be delivering the various sub sandwiches, egg rolls, and fruit and cheese trays by 4 p.m. Marie also said she had already set out the donated door prizes, which she and Katie had picked up last week: CD players, movie tickets, free pizzas and ice cream coupons, and sweatshirts and mugs from the campus bookstore. When she sees Fred hand Joe the change money for sodas, she hands Joe the blank books of door-prize tickets along with a bunch of torn-off stubs for the ones that Katie sold in advance. She says she does not want to have this stuff with her while she is golfing.

Joe looks confused initially, but everyone is excited and the carts are pulling away, so he says that he supposes he can handle all of this as best he can. However, as he walks to the snack bar to buy sodas, he begins to wonder how Marie could have known in advance that Katie would back out. And how did Marie just "happen to conveniently have Katie's tickets"? He remembers that Katie and Marie are roommates and Fred has dated Marie since junior year. Reflecting on this and looking at the mess of money and door-prize tickets he has been handed, he gets angry about how the others are all having fun while he is doing the work. He thinks to himself: "I'll show them, I'm going to keep a good portion of the soda money proceeds and half of the door-prize tickets. What does it matter? It's just the icing on the cake! After all, my time is worth just as much as their time is."

Fraud Triangle Analysis of the Golf Outing

Pressure/Incentive: Joe is not rich, he feels dumped on with all of the money and tickets given to him at the last minute, and he is angry with his peers for not keeping their promises to him. Also, there is an element of physical isolation.

Rationalization: Joe considers that this is not going to hurt the scholarship fund, as the outing has already met the targeted income projection. Also, he feels that it is going to be such a hassle trying to keep all this money and tickets straight that he deserves it.

Opportunity: There is almost a blanket authorization for Joe to do whatever he wants. There is no physical security, as none of the students thought ahead to have a box to hold the funds or the door prize tickets; they are using the pockets of their pants as a sort of all purpose cash register. Documentation in terms of having prenumbered sequential tickets was not done, and Joe can tell that there is already a

> disconnect with the way he was handed a few crumpled dollars with the few door prize tickets and commingled with soda money. There are no procedures detailed as to the prescribed mark up on the sodas. There is no segregation of duties or checks on balances on him as he has custody of tickets and money, and it doesn't appear that there will be anyone available to follow up with this.

Classification of Golf-Outing Fraud Scheme

This hypothetical case is a form of asset misappropriation, specifically cash larceny. However, if there are any books being kept, this case is also an example of skimming cash, if Joe does indeed fall prey to the lure of the fraud triangle.

What Can Leaders Do to Deter Fraud?

In a 22-page document that is reasonably easy reading, there are at least 14 specific strategies to assist leaders who want to minimize the chance of fraud. The document is actually a subset of the aforementioned SAS99. The document's table of contents summarizes three general actions that management can do: (1) creating a culture of honesty and high ethics, (2) evaluating antifraud processes and controls, and (3) developing an appropriate oversight process (AICPA, 2002a).

It is important to realize that this guidance is not difficult to achieve or implement. For example, one example of specific guidance is identifying and measuring fraud risks. If you think back to Nichole's story, recall the concern she had over cash receipts being at risk of theft. Identifying a fraud risk is as simple as what nonprofit leader Nichole did when she talked to the new board member. A second example of guidance pertains to responsibilities of the audit committee or board. The AICPA (2002a) document says the board "should evaluate management's identification of fraud risks, implementation of antifraud measures, and creation of the appropriate 'tone at the top'" (p. 13). In the earlier Nichole and Ann scenario, Ann's response was to establish a procedure responsive to Nichole's concern and to formalize it as approved policy, thus setting the appropriate tone at the top.

For board members or leaders who lack Ann's financial expertise, guidance is available in the form of risk management checklists (Avey, Baskerville, & Brill, 2005) and other materials, many available free of charge through organizations designed to assist in preventing and detecting fraud. Three such organizations include the AICPA (http://www.aicpa.org), the ACFE (http://www.acfe.org), and the Institute for Internal Auditors (http://www.theiia.org). In reality, it is a good idea for leaders to inform themselves of the mandates followed by professionals who review and report on their operations. In doing this proactively, leaders will see auditors not as a threat or a force keeping them from the stated work of the organization's mission but as individuals with a shared interest in keeping the organization functioning for years to come.

Otherwise, if leaders don't understand this sort of shared partnership, an interchange may occur similar to this one between Nichole and Ann, just prior to the start of a board meeting. This meeting was about 9 months after the earlier interchange. At this time, auditors had been called in to do a financial statement audit, as the organization was getting more grants and expanding its services; now, it needed an audit to comply with grantor requirements.

Transcript: Nonprofit-Leader Nichole Revisited—She Finally Gets It!

Nichole: Ann, I am so glad that you are here early tonight.

Ann, CPA: Hi, Nichole, good to see you. You look a bit rattled today, not the calm, collected homeless guru that I have become accustomed to knowing.

Nichole: I have something I have to show you that the auditors gave me today. I am really upset about it, and I don't know what to do.

Nichole hands Ann a single-page document that asks assorted questions about whether she knows of any fraud in the organization or has participated in any fraud or suspects any fraud. There is a space for Nichole to sign off. The paper has been folded and refolded and is smudged in several locations, having been carried around loose in Nichole's purse.

Ann, CPA: I am curious. Did Gregory [the president of the board of the homeless shelter] receive one of these letters?

Nichole: He told me no, that he didn't think he had. Mine just arrived yesterday, though, so perhaps he got one. Why do you ask?

Ann, CPA: Well, Nichole, why are you hesitating to sign this paper?

Nichole: I can't believe you would ask me this!

Ann, CPA: Well, have you done anything here that they are asking about?

Ann looks very seriously into Nichole's eyes, as though she is looking for something. Nichole blushes, gets flustered, and then appears to get angry.

Nichole: Ann, I cannot believe that you think I would do something fraudulent, after all that we have done these last months to get this place in better shape.

Ann, CPA: I know that you have worked hard, but I'm asking you if you know anything or suspect anything . . . about any fraud . . . with this organization at this time?

Nichole: Of course not, you would have been the first person I would have come to.

Nichole is beginning to look as though she is going to cry. Ann smiles at her and pats her on the arm.

Ann, CPA: Then just sign the silly paper.

Nichole: But why are they asking me such a thing? If they think there are troubles, why aren't they asking Gregory? What do they think I did?

Ann, CPA: It's just a new requirement that they have to do. They have to do it with every audit now, but they can be somewhat selective in how they do it. They could have interviewed you, for example.

Nichole: Oh, do you mean, it's just a formality of sorts?

Ann, CPA: No, it's much more important than that. Auditors' responsibilities have increased somewhat related to fraud because of the corporate scandals that went down a couple years back.

Nichole: Oh, so this is just something new, that many people in my position will have to get used to?

Ann, CPA: That is correct.

Nichole: Oh, thank heavens. Can I borrow your pen? I am so glad you were here tonight.

Ann, CPA: So am I. You are doing good work, Nichole, with your eyes wide open. I have been watching you and listening to you in these meetings. You care about this place, and it shows. But you have put in policies that will serve the organization well if both of us are gone. I wish all nonprofit directors were as good as you are.

Nichole: Thanks, Ann.

Summary and Future Directions

Wherever there are people, there are things that can go awry. An effective leader understands this and enacts controls to protect the organization and its members from all types of challenges. When effectively used, a system of internal controls can serve to close the door to fraudsters, both internal and external.

Armed with knowledge of the conditions of fraud by remembering the fraud triangle and some of the statistics and issues related to fraud schemes, leaders have renewed awareness that yes, attempted fraud can and does happen in all types of organizations. Leaders can make use of free materials to help put policies in place that will protect the organization and call on individuals who have an expertise in fraud detection and can be consulted if there are suspicions that something is "not quite right."

In addition, nonprofit leaders, working with others who share similar interests, can engage in discussions with other leaders about this topic, in an effort to keep fraud awareness alive. Awareness, after all, of the pervasiveness of fraud makes one open eyes and ears. It helps to understand the irony that often the best-intended organizations can in fact become prey to fraud simply because fraudsters don't expect a level of alertness in these settings. Unconscious and lackadaisical nonprofits can perpetuate fraud for long periods before it is detected. Fraud awareness might help save you and your organization from being victims. Awareness is the first key any leader can take to lock that door on fraud activity in an organization.

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Budgeting and Forecasting

Implementing Sound Strategic Financial Planning

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"It's not in the budget" is a familiar refrain. An unanticipated major repair, a long-standing grant that is not renewed—these events can alter expense and revenue in ways that can compromise the ability of a nonprofit organization to fulfill its charitable purpose. A budget gives a projection of revenue and expense over the course of a year. It is a plan that communicates an organization's priorities and a tool that can be used to monitor revenue and expense. A budget is usually prepared by an executive director and approved by a board of directors. Operating budgets, program budgets, cash flow budgets, and capital budgets are frequently used by nonprofits.

This chapter begins with a discussion of what goes into a budget and how a budget is prepared, offering examples of an operating budget and a cash flow budget. It continues with an examination of trends and forecasting in the context of nonprofits engaged in health care, education, human services, and the arts. One important development is an increase in revenue from fees and earned income. For this reason, the chapter concludes with examples of how to estimate cost; specifically break-even and marginal cost analysis. This approach ensures the future forecast will be a financial success.

Budget Preparation

Operating budgets, often referred to as simply the budget, are prepared on a cash basis; expense is incurred, and revenue is received over the 12 consecutive months that make up the fiscal year. Usually, a budget is balanced; that is, revenue is equal to expense. The process of formulating expense and revenue projections often begins 6 months before the start of a new fiscal year. It involves the executive director, program director(s) or department heads, and the chief financial officer (if there is one). Typically, an executive director asks program directors to project expenses for their program. Revenue is usually estimated after expense. Revenue and expense planning may also involve the treasurer of the board of directors or a board finance committee. The board of directors formally approves the final budget.

Expense

Often, 50% or more of a nonprofit's total expense is associated with the people who deliver services. Personnel expense involves a base salary and benefits (Pynes, 2004). A base salary includes time off. Personnel policies usually offer 6 to 8 days of sick leave, 2 or 3 personal days, 8 to 10 paid holidays, and at least 2 weeks of vacation each year. Workers' compensation, unemployment, and social security are calculated from the base salary. Benefits often include health insurance.

Employers, including nonprofit organizations, withhold 7.65% of each employee's salary for social security. Employers match this with another 7.65%. Withholding must be deposited by employers each quarter. The penalty for failure to do so is stiff. Employers pay into an unemployment fund based on the amount of the nonprofit's payroll and claims experience. Individuals receive these benefits when they are unemployed. State government sets eligibility criteria for unemployment compensation along with the amount and duration of benefits. Typically, unemployment ranges from 2% to 5% of an employer's total payroll. Workers' compensation is usually 2% to 5% of base salary. Employers pay into a state, private, or self-insurance fund. This fund covers medical benefits, lost wages, and death benefits when there is an on-the-job mishap.

Many nonprofits provide health insurance as a benefit for full-time employees. Some nonprofits offer dental insurance, disability income protection, or life insurance. The cost of insurance varies depending on the size of the organization and its history of claims. Other fringe benefits may include retirement. In a defined contribution plan, for example, a nonprofit employer may divert 2.5% of an employee's salary to a 401(k) fund and then match the employee's contribution with another 2.5%. The employee makes his or her own investment choices. When retirement benefits are handled in this way, the employee does not pay income tax on contributions. In this example, an employee would not pay tax on 5% of her or his income. There is a limit on the maximum amount an employee can designate for pretax deferral. Income tax is paid when retirement benefits are withdrawn.

These personnel line items appear in the annual budget for Shelter, Inc. Shelter, Inc. serves single adult women who are homeless. There are three programs: residential shelter, job readiness employment program, and community outreach. As many as 30 women stay at the shelter for up to one year. A full-time manager, two full-time case managers, and a part-time life skills developer work with residents. About 71% of the total projected Fiscal Year (FY) 2010 annual operating expense of Shelter, Inc., a total of $254,878, is for personnel (see Table 49.1).

	PROGRAMS				
	Shelter	*Job Readiness*	*Community Outreach*	*Administration and Fundraising*	*TOTAL*
EXPENSE					
Executive director	15,000	5,000	5,000	25,000	$50,000
Program director	22,000	6,000	6,000	6,000	$40,000
Residence manager	32,000				$32,000
Case manager	22,400	2,800	2,800		$28,000
Case manager	25,000				$25,000
Life skills developer @ 50%	14,400		3,600		$18,000
Bookkeeper @ 50%				19,000	$19,000
Social Security @ 7.65%	10,006	1,056	1,331	3,825	$16,218
Unemployment @ 2.5%	3,270	345	435	1,250	$5,300
Workers' compensation @ 3%	3,924	414	522	1,500	$6,360
Health insurance @ $250/month	8,250	2,250	2,250	2,250	$15,000
Personnel Subtotal	*$156,250*	*$17,865*	*$21,938*	*$58,825*	*$254,878*
Contractual fees					
Audit				5,000	$5,000
Computer				3,000	$3,000
Occupancy					
Shelter	45,600				$45,600

Table 49.1 Shelter FY 2010 Budget, July 1, 2009, to June 30, 2010

	PROGRAMS				
	Shelter	Job Readiness	Community Outreach	Administration and Fundraising	TOTAL
Office				8,400	$8,400
Equipment	1,650	450	450	450	$3,000
Supplies					
Program	3,840	480	480		$4,800
Office				1,800	$1,800
Food	6,600				$6,600
Training	2,750	750	750	750	$5,000
Photocopying and printing	1,320	360	360	360	$2,400
Postage	660	180	180	180	$1,200
Telephone	2,772	756	756	756	$5,040
Insurance	4,125	1,125	1,125	1,125	$7,500
Travel					
Client	1,920	240	240		$2,400
Staff	990	270	270	270	$1,800
Subscriptions and dues	220	60	60	60	$400
Nonpersonnel Subtotal	*$72,447*	*$4,671*	*$4,671*	*$22,151*	*$103,940*
TOTAL FY 2007 EXPENSE	**$228,697**	**$22,536**	**$26,609**	**$80,976**	**$358,818**
REVENUE					
Government	219,200	13,700		41,100	$274,000
Foundation and corporations	8,223	8,223	26,609	11,763	$54,818
Special events	1,274	613		8,113	$10,000
Individuals				5,000	$5,000
Program fees				8,000	$8,000
Religious organizations				4,000	$4,000
Professional organizations				3,000	$3,000
TOTAL FY 2007 REVENUE	**$228,697**	**$22,536**	**$26,609**	**$80,976**	**$358,818**

NOTE*:* Numbers may not add precisely due to rounding.

Shelter, Inc.'s fiscal year begins July 1 and ends June 30. The fiscal year for other nonprofits may follow the calendar, beginning January 1 and ending December 31. There are other possibilities. A fiscal year is simply 12 consecutive months. This sample budget includes expense not associated with personnel including occupancy, equipment, food, and program supplies. Note that projections are rounded off to the nearest whole dollar; there are no cents. This is standard practice.

In this budget, expense and the revenue are associated with a program or cost center. Each column is a program. The rows are line items associated with expense and revenue. The programs are shelter, job readiness, and community outreach. About 64% of total expense is associated with the shelter ($228,697/$358,818). There is also a column for administration and fundraising (support). About 23% is projected to be administrative and fundraising expense ($80,976/$358,818). Administrative and fundraising expenses generally make up no more than 25% of total expense. Often, program expense is 75% to 80% of total expense.

How are staff time and other line items allocated to programs? At Shelter, Inc., the executive director asks each staff member to keep track of her or his time for one week. Staff members do this for several weeks at different times throughout the year. This time study is used to allocate personnel costs to programs, administration, and fundraising. Allocation is based on time spent by full-time equivalent (FTE) staff. This is one approach to distribute expense. There are others.

Revenue

Projecting revenue at Shelter, Inc., is straightforward. The executive director anticipates several grants will be renewed. This includes government support restricted to the shelter and to job readiness programs. Shelter, Inc., like many nonprofits, receives grants that are restricted to a particular program or special project. With the exception of unrestricted contributions from individuals and a few other private sources, the executive director allocates revenue based on restrictions imposed by donors.

At Shelter, Inc., government grants account for 96% of the total projected shelter revenue ($219,200/$228,697). Dependence on government is common in human services (Salamon, 1995, 1999; Smith & Lipsky, 1993). Shelter, Inc. anticipates foundation grants will entirely fund a special project, community outreach ($27,409). These are examples of restricted program or special project grants.

In the case of Shelter, Inc., private contributions from special events, individuals, religious organizations, and professional associations are unrestricted. These dollars can be used for general support. The executive director projects this unrestricted revenue will cover administrative and fundraising expenses. Program fees—in this case, small payments made by residents toward rent—are also treated as unrestricted. The executive director matches this unrestricted revenue with administrative and fundraising activities. This is a common approach.

Many nonprofits struggle to generate revenue to cover administration and fundraising or support expense. These indirect costs are fixed; that is, no matter how many programs are delivered or clients are served, a nonprofit incurs administrative and fundraising expense. Often, government funders as well as some private foundations and corporations restrict grants to direct service delivery. The grant may not be used for indirect administrative and fundraising expense. Fee-for-service reimbursement rates are often set to cover the cost of a direct service. Indirect administrative and fundraising expense is excluded. A nonprofit must generate revenue to cover indirect costs in some other way. This is one reason nonprofits include administrative costs in program budgets. Another approach is to estimate how much unrestricted revenue will be needed to cover administration and fundraising. This is what Shelter, Inc., has done.

To project expense and revenue for FY 2010, Shelter, Inc. begins with a review of actual expense and revenue from the previous year. A budget is a plan that estimates revenue and expense, whereas financial statements report actual revenue and expense. Nonprofits compile three financial statements. These are then reviewed by an independent, outside auditor. One is the statement of financial position or balance sheet, so called because assets (things the organization owns) equal liabilities (things the organization owes) plus net assets (fund balance). The second financial statement is the statement of activity. This statement reports on actual program and administrative (support) expense. This statement is useful in the budgeting process. The third financial statement is a cash flow statement. It uses a cash perspective to account for changes in cash associated with operating, investing, and borrowing activity.

The executive director and treasurer of Shelter, Inc., review actual expense and revenue reported in the activity statement for FY 2009 and FY 2008. They compare the FY 2009 budget line item expense and revenue to actual FY 2009 expense and revenue. This information, along with projections submitted by program directors, is used to estimate revenue and expense for FY 2010. The executive director and treasurer do not anticipate any major changes in FY 2010, so each line item is increased at the rate of inflation. This is an incremental approach. It works well if there are not many variable costs or costs that change, such as personnel. If Shelter, Inc., plans to, for example, start a new program in FY 2010, it will use a different approach.

Some nonprofits use performance-based budgeting. This involves projecting expense and revenue based on the organization's goals. This works well if goals can be clearly defined and objectively measured. Some organizations use zero-based budgeting. Following this procedure, every fiscal year, projections begin anew. Any expense greater than zero must be justified for every program and every line item. If Shelter, Inc., plans to add a program, new estimates of expense and a realistic plan to generate funding will be needed. Zero-based or performance-based budgeting can help.

Once the budget has been drafted, it is reviewed and adopted by the board of directors. Then, as the fiscal year unfolds, the executive director, program director(s), chief financial officer along with the board treasurer, board finance committee, and board as a whole compare budget projections with actual revenue and expense. With this understanding of the process of formulating a budget, the next section explores different kinds of budgets.

Different Types of Budgets

Budgets have different purposes (Herzlinger & Nitterhouse, 1994). An annual budget projects operating expense and revenue for a fiscal year. Operating budgets do not reflect the extraordinary expense and revenue of capital improvements. Capital budgets project expense and revenue associated with the acquisition of large, usually fixed assets, for example, a building, computers, or a new telephone system. It is better to create separate budgets for capital projects. Including one-time capital expense and revenue in an annual budget would distort operating revenue and expense.

Operating Budget

Operating budgets itemize projected expense (program, administrative, and fundraising) along with major sources of revenue. Usually, a detailed schedule explains how these projections are calculated (Finkler, 2005). In the Shelter, Inc., budget, for example, health insurance was projected at $250 per month for each full-time employee ($250 × 12 × 5 = $15,000). This detail would be included in a line item budget justification. Government funders and the United Way often require line item justification.

Program Budget

A budget by program, responsibility center, or cost center is often used. Special project or program budgets are separate plans that focus on an activity that generates revenue and expense. The columns in Shelter, Inc.'s annual operating budget reflect expense and revenue associated with particular programs. This approach allows managers to match expense with restricted and unrestricted revenue allocated to a specific program. Performance of a program can also be assessed.

Cash Flow Budget

A cash flow budget can be used to match the flow of revenue and expense. Cash flow budgets project revenue and expense over 12 months. A cash flow budget is helpful when an organization receives grants at different times of the year or must wait for reimbursement associated with services that have already been delivered. A cash flow budget starts with the actual cash balance on the first day of the current fiscal year. In the case of Shelter, Inc., the cash flow budget for FY 2010, starts with $50,000 in cash that was on hand July 1, 2009 (see Table 49.2).

The cash flow budget then adds revenue that Shelter, Inc., projects it will receive in July ($4,000) and subtracts expense for the month ($29,902) to arrive at a projected surplus or deficit for the first month of the fiscal year. In this case, at the end of July, managers project a $25,902 cash deficit. This figure becomes the beginning balance for the next month (August) and so on for each month through the fiscal year. While the cash flow budget shows a surplus of $40,599 at the end of June, in several months, there are deficits. The cash flow crunch abates every 3 months when an infusion of revenue associated with government grants is projected to arrive. The cash flow budget suggests Shelter, Inc., should investigate a line of credit. The organization should have enough cash on hand to cover 3 months of operating expense. It does not have this every month.

Capital Budget

A capital budget projects revenue and expense associated with the acquisition of assets that will last more than one year (Finkler, 2005). Recognizing all of the cost associated with the purchase of equipment or a building in the year when a purchase is made would distort an operating budget. Not all of the value of this asset will be used in one year. It is customary to recognize the current portion of debt service for the year or depreciation expense (one year of useful life expended) in an operating budget. In a capital budget, long-term financing—for example, the timing of cash receipts associated with a capital campaign and the timing of loan repayments associated with a mortgage or bond—is recognized over the useful life of a fixed or capital asset.

	July	*August*	*September*	*October*	*November*	*December*	*January*	*February*	*March*	*April*	*May*	*June*	*Total*
Beginning cash	**50,000**	**24,098**	**(5,803)**	**34,796**	**4,895**	**2,403**	**56,002**	**31,101**	**1,200**	**41,799**	**39,307**	**9,406**	
Revenue													
Government			68,500			68,500			68,500			68,500	274,000
Foundations and corporations					27,409					27,409			54,818
Special event						10,000							10,000
Individuals							5,000						5,000
Other	4,000		2,000			5,000			2,000			2,000	15,000
Total revenue	**4,000**	**0**	**70,500**	**0**	**27,409**	**83,500**	**5,000**	**0**	**70,500**	**27,409**	**0**	**70,500**	**358,818**
Expense													
Shelter	19,059	19,058	19,058	19,058	19,058	19,058	19,058	19,058	19,058	19,058	19,058	19,058	228,697
Job readiness	1,878	1,878	1,878	1,878	1,878	1,878	1,878	1,878	1,878	1,878	1,878	1,878	22,536
Community outreach	2,217	2,217	2,217	2,217	2,217	2,217	2,217	2,217	2,217	2,217	2,217	2,217	26,604
Total program	23,154	23,153	23,153	23,153	23,153	23,153	23,153	23,153	23,153	23,153	23,153	23,153	277,837
Administration and fundraising	6,748	6,748	6,748	6,748	6,748	6,748	6,748	6,748	6,748	6,748	6,748	6,748	80,976
Total expense	**29,902**	**29,901**	**29,901**	**29,901**	**29,901**	**29,901**	**29,901**	**29,901**	**29,901**	**29,901**	**29,901**	**29,901**	**358,813**
Surplus/ (deficit)	(25,902)	(29,901)	40,599	(29,901)	(2,492)	53,599	(24,901)	(29,901)	40,599	(2,492)	(29,901)	40,599	195,043
Ending cash	**24,098**	**(5,803)**	**34,796**	**4,895**	**2,403**	**56,002**	**31,101**	**1,200**	**41,799**	**39,307**	**9,406**	**50,005**	

Table 49.2 Shelter FY 2010 Cash Flow Budget, July 1, 2009, to June 30, 2010

The Budget and Managerial Control

As a plan, an operating budget communicates program priorities and sets fundraising goals. A balanced budget communicates a nonprofit's intention to preserve its resources. It projects neither a deficit (expense exceeds revenue) nor a surplus (revenue exceeds expense). Total revenue matches total expense. Program or program services along with administrative and fundraising or supporting services are matched with revenue sources. A balanced budget is a step toward preserving a nonprofit's resources for future generations. The current generation is generating sufficient revenue to cover current expense. This is the concept of intergenerational equity (Herzlinger & Nitterhouse, 1994). In addition to a planning document, a budget is part of a system of checks and balances designed to safeguard a nonprofit.

Internal Control

Internal control refers to procedures that protect the resources of an organization by documenting and then reporting on financial matters (e.g., financial statements, 990 income tax return, and audit). This approach reduces the probability of a recording error, fraud, or embezzlement. Internal control involves following generally accepted accounting principles (GAAP) promulgated by the Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA).

One dimension of internal control is documentation. Whenever a financial transaction occurs, it is documented; for example, a record of a check, payroll record, or receipt associated with a purchase. Financial transactions are recorded in a journal, which is simply a chronological list of transactions. Journal entries are posted to a ledger. The ledger summarizes financial transactions that increase or decrease asset, liability, and net asset (fund balance) accounts. Nonprofit organizations use fund accounting. A fund is a balanced set of accounts where assets equal liabilities plus net assets. This is what a trial balance shows. The trial balance is the basis of financial statements (statement of financial position or balance sheet, activity statement or revenue and expense statement, and cash flow statement).

Reporting is another dimension of internal control. The trial balance and financial statements are used to prepare an annual 990 income tax return. This is filed with the Internal Revenue Service (IRS) and also the state. The process of filing a 990 is relatively simple for small nonprofits with annual gross receipts under $25,000. With the exception of religious organizations, nonprofits with annual gross receipts of $25,000 or more must file a 990 income tax return. Typically, these nonprofits also have an audit.

An audit involves an independent examination of a nonprofit's record-keeping and accounting procedures for the purpose of expressing an opinion about the degree to which financial statements prepared by the organization fairly present its financial position at the time of the audit. An auditor (usually a certified public accountant) reviews a nonprofit's receipts, payroll records, accounts receivable schedule, depreciation schedule, journal, ledger, trial balance, and other material. He or she will ask donors for written confirmation of contributions made during the year. Based on this examination, the auditor issues a letter of opinion. In an unqualified opinion, the auditor indicates a nonprofit's financial statements fairly present the position of the organization at the time of the audit.

Finally, board oversight is an important part of internal control (Herzlinger & Nitterhouse, 1994). Board and management participate in the process that produces the budget. The board approves the budget. Board members and managers regularly review financial statements. Board and management monitor expense and revenue.

Variance Analysis

In a variance analysis, budget projections are compared to actual revenue and expense. In the first 3 months of the fiscal year, for example, actual expense and revenue can be compared to one quarter of the annual budget. This is one way board members and managers can monitor expense and revenue. Is actual revenue in line with the amount projected at this point in the fiscal year? What about expense? To facilitate comparison, the difference between projected and actual expense and revenue can be expressed as a percentage change when this difference is divided by the amount projected.

When inspecting variance, it is important to keep in mind the proportion of total expense or total revenue associated with each program and each line item. There may be substantial differences when comparing actual and projected figures, but these may be relatively small when compared to all programs or to the organization as a whole. Finkler (2005) emphasizes understanding why variance occurs. Is it because the number of staff has changed? Has the number of staff members increased or decreased?

Variance analysis can be used to monitor the performance of programs. Which programs or departments are above or below what was projected? Within each program, which line items are substantially ahead or behind? Variance analysis can be used to formulate next year's budget.

Trends and Forecasting

Understanding trends is an essential ingredient in the development of an accurate forecast. This section will examine trends in areas where nonprofits predominate: health, education, human services, and arts. These subsectors (Salamon, 1999) correspond to major categories in the National Taxonomy of Exempt Entities (National Center for Charitable Statistics, 1998). There are differences across subsectors. While there are similarities within each subsector, it is important to note that the profiles that follow describe a large domain comprising many different kinds of organizations. Understanding trends within and across subsectors informs the budget process.

Based on *The Nonprofit Almanac 2008* (Wing, Pollack, & Blackwood, 2008), nearly 1.4 million nonprofits were registered with the IRS in 2005. This is a 27% increase compared to 1995, when there were 1.1 million. Most are public charities exempt from federal income taxation under section 501(c)(3) of the IRS code. In 2005, according to *The Nonprofit Almanac 2008*, public charities reported $1.1 trillion in revenue and expense to the IRS; a 56% increase compared to 1995. Nonprofits paid $489 billion in wages to 12.9 million employees.

More than half of the employment, revenue, and expense in 2005 took place in health care. Table 49.3, based on *The Nonprofit Almanac 2008*, shows about 13% of all public charities deliver health care. At the same time, in 2005, health organizations accounted for 56% of all revenue and 60% of all expenses.

About one in every three nonprofit organizations provided human services. Roughly one in five was engaged in education. In 2005, arts organizations made up 12% of all nonprofits.

Table 49.3 shows health care organizations are particularly dependent on fees (88% of total revenue in 2005), which are paid by the government (Medicare and Medicaid), private insurers, and patients. Similarly, nonprofits engaged in education and human services depend on fees, 56% and 53% of total revenue, respectively. Overall, in 2005, 49% of all revenue was derived from fees, 29% from government grants, and 12% from private contributions (e.g., individuals, foundations, corporations, and other private sources). Compared to 1995, when revenue from fees was 45% of total revenue and government grants were 32% of the total, the proportion of revenue from payments has increased while the proportion of government grants has decreased.

Health

Many hospitals, outpatient health clinics, mental health centers, addiction treatment programs, and nursing homes are nonprofit. While there are also public and private health care providers, nonprofits are an increasing proportion of the total number of organizations in this subsector (Gray & Schlesinger, 2002). Half of all general hospitals, for example, are nonprofit (Salamon, 1999).

In the nonprofit sector as a whole, health care organizations employ the largest number of people and generate the largest share of total revenue (Weitzman, Jalandoni, Lampkin, & Pollak, 2002; Wing et al., 2008). The revenue mix in this subsector is shifting from private payment to public payment including Medicare and Medicaid (Salamon, 1999). In 1996, for example, more than 60% of all hospital revenue came from government; 34% was from private fees and insurance (Salamon, 1999).

With respect to forecasting and budgeting, third-party payment is a central concern. Third parties—private insurance companies, health maintenance organizations (HMOs), managed care organizations, Medicare, and Medicaid—account for most of the revenue in this subsector (Gray & Schlesinger, 2002). These third parties set reimbursement rates for each service, which may or may not cover the actual cost of providing that service. Accurately forecasting cost, volume, and price is critical. In addition, waiting 30 days or more for reimbursement can create cash flow problems.

Education

Whereas most primary and secondary education is public, higher education is often provided by nonprofits. About 50% of all higher education was nonprofit in 1995 (Salamon, 1999). The education subsector also includes

	Health	*Education*	*Human Services*	*Arts*
Percent of all public charities	13	19	32	12
Percent of total employment	54	18	–	4
Percent of total expense	60	15	13	2
Percent of total revenue	56	16	12	2
Percent of total revenue from fees	88	56	53	31
Percent of total revenue from private contributions	4	15	16	41
Percent of total revenue from government grants	3	12	23	13

Table 49.3 Subsector Profiles: Profile of Subsectors in 2005

SOURCE: *The Nonprofit Almanac,* 2008.

parent-teacher associations and alumni associations. In 2005, education accounted for 19% of all nonprofit employment (Wing et al., 2008). Like health care, education is labor intensive. The cost per student continues to increase (Stewart, Kane, & Scruggs, 2002). As in health care and human services, nonprofits in higher education depend on fees or private payments. In 2005, 56% of all revenue for higher education came from tuition and fees; 15% came from private contributions; and 12% came from government grants (Wing et al., 2008). In 1998, education received the largest share of all contributions from foundations (Salamon, 1999).

Human Services

One third of all nonprofits deliver human services (Wing et al., 2008). These services include individual and family services, residential care, child care, job training, housing, food, disaster relief, and legal services. This area accounts for 17% of all employment in the nonprofit sector (Weitzman et al., 2002). There has been a substantial increase in both the number of employees and the number of nonprofit human service organizations (Salamon, 1999; Smith, 2002). In contrast to health and education, human service organizations are typically smaller.

Many human service organizations depend on government support including fee-for-service reimbursement from sources such as Medicaid (Salamon, 1999; Smith, 2002; Smith & Lipsky, 1993). In 1997, on average, 52% of all human service revenue came from government; 20% was from private contributions; and 19% came from payments made by private sources (Weitzman et al., 2002). By comparison, in 1994, Salamon (1999) reports 38% of all support for human services came from government; 13% from foundations, corporations, and other private sources; and 49% from fees or private payments. Covering the actual cost of each unit of service is as important for human service organizations as it is for nonprofits that provide health care and education.

Arts and Culture

Arts organizations include museums, symphonies, orchestras, theaters, zoos, and botanical gardens, as well as public television and public radio. Some performing arts groups are amateur while others are professional (Wyszomirski, 2002). About 90% of all museums and orchestras are nonprofit; half of all live theater is produced by nonprofits (Salamon, 1999). The number of arts organizations and employees has increased (Salamon, 1999). In 2005, this subsector accounted for about 4% of all employment in the nonprofit sector (Wing et al., 2008). In 1997, 44% of all nonprofit arts revenue came from private contributions; 28% was derived from private payments; and 10% came from government. For performing arts, on average, earned income was more than half of total revenue (Salamon, 1999). Americans for the Arts estimates nonprofit arts organizations, on average, receive half of their total revenue from admissions and sales, 39% from contributions, and about 6% from foundations and corporations (Wyszomirski, 2002).

Estimating Cost

Trends in health care, education, human services, and the arts point to increased reliance on fees and earned income. According to *The Nonprofit Almanac,* fees for service (e.g., admission, tuition, and reimbursement) composed 70% of all revenue in 2005. Contributions from private sources (e.g., individuals, foundations, and corporations) were 12% of total revenue, and 9% came from government grants.

Offner (1999) describes a “devolution revolution” that has led to more community-based delivery of human services. This helps explain the increase in fee-for-service revenue. Medicaid reimbursement covers the cost of a range of health and human services (Abramson, Salamon, & Steuerle, 2006; Smith, 2006). Fee-for-service arrangements continue to shape revenue and expense in human service organizations (Grønbjerg & Salamon, 2002; Salamon, 1994, 1995; Smith & Lipsky, 1993). Other nonprofits, for example, arts organizations, also depend on earned income. For these reasons, understanding cost is an important part of the budget process.

Break-Even Analysis

A break-even analysis calculates the point at which revenue equals expense. How many admissions, clients, or patients must there be to cover the cost of a service? A museum, symphony, or zoo sets an admission price. Is it enough to cover the actual fixed and variable costs? A human service organization receives a set fee for each client receiving a defined unit of a particular service. Is the reimbursement rate enough to cover the actual cost of providing this service?

Fixed costs do not vary. No matter how many admissions, clients, or units of service, administrative and fundraising expense is incurred. In nonprofits, fixed costs usually are indirect costs; that is, they are not directly related to the delivery of a service. Reimbursement rates often do not cover indirect costs. In financial statements, fixed costs are referred to as support expense (e.g., administration and fundraising). Depending on the service, expenses such as occupancy, insurance, and telephone may be fixed.

Variable costs change with an increase or decrease in volume. Usually, variable costs are directly related to providing a service, for example, personnel. In financial statements variable costs are referred to as program expense. If admissions at a museum or the number of children served by a child care program increases or decreases, then there is a corresponding increase or decrease in the number of staff. Volume or quantity of service, therefore, affects variable cost.

Break-even analysis facilitates examination of the relationship between volume and cost. For example, the number of visitors to a museum is equal to total fixed costs divided by the admission price per visitor less the variable cost per visitor.

Number of visitors = fixed cost/(admission price − variable cost per person)

A museum forecasts it will have 100,000 visits in the next fiscal year. Its annual fixed cost is $1 million. The variable cost for each visit is $12. To break even, the museum must collect $22 each visit. The margin between the admission price and variable cost in this example is $10 ($22–$12). What if the museum anticipates 200,000 visits? Because this is twice the number of visits, and fixed costs remain the same, the fixed costs are spread over twice the number of visitors. Therefore, the break even point can be achieved at a lower admission price. Variable costs per visitor remain the same per visit no matter the number of visitors ($12). Fixed cost will remain the same ($1 million). The admission price will be $17. The increase in visits reduces the margin between price and variable cost to $5 ($17–$12). In general, an increase in volume will reduce the margin between price and variable cost. As volume decreases, the margin increases and with it, price. In this example, fixed costs are substantial. This is typical for arts organizations. Fixed costs associated with the delivery of human services, by comparison, are often smaller. So gains on increases in volume are likely to be greater.

Consider fixed and variable costs associated with residential care for individuals with developmental disabilities (Down's syndrome, autism, or cerebral palsy). Just like arts organizations, human service organizations have buildings or fixed assets. This is an indirect fixed cost. While the purchase of a building would not be included in a break-even analysis, the current year's depreciation ($76,882) and interest expense ($14,340) would be included as fixed costs (see Table 49.4).

Indirect fixed costs for FY 2010 amount to $654,047 or 20% of total residential program expense ($654,047/ $3,217,575). Variable costs total $2,563,528. So 80% of direct program expense is variable ($2,563,528/$3,217,575), and 65% of total program expense is variable personnel ($2,095,846/$3,217,575).

In this example, 30 FTE staff work in 23 small group homes, which house 140 residents (about six residents per home). So, for each resident, the average annual variable cost is $18,311 ($2,563,528/140). The total expense for the first resident is the total fixed cost ($654,047) plus the

	Residential Program	*Fixed Cost*	*Variable Cost*
Salaries	$2,178,601	$326,790	$1,851,811
Benefits	$287,100	$43,065	$244,035
Personnel subtotal	*$2,465,701*	*$369,855*	*$2,095,846*
Food	$174,689		$174,689
Utilities	$91,725		$91,725
Rent and lease	$201,268		$201,268
Depreciation	$76,882	$76,882	
Transportation	$31,857	$31,857	
Telephone	$21,113	$21,113	
Interest	$14,340	$14,340	
Client field trips	$12,440	$12,440	
Other	$127,560	$127,560	
Nonpersonnel subtotal	*$751,874*	*$284,192*	*$467,682*
Total annual expense	**$3,217,575**	**$654,047**	**$2,563,528**

Table 49.4 Developmental Disability Agency Residential Program FY 2010, Fixed and Variable Cost Estimates

variable cost for one resident ($18,311). The break-even formula can be restated:

price × quantity = (variable cost × quantity) + fixed cost

An increase in the number of residents will make it more likely the residential program will be able to cover fixed and variable costs. But what if the reimbursement rate is too low?

The residential program is paid $55 per client for each day of residential care. A day is the unit of service. The reimbursement rate for each client is $55 per day. When the average variable cost of $18,311 per client is divided by $55, it shows almost 333 days of care must be provided to all 140 clients to cover the total variable costs. Each resident would then contribute $1,764 each toward the fixed costs. This would total $246,960 ($1,764 x 140). All of the fixed costs ($654,047) would not be covered. With a reimbursement rate of $55 per day, the program is not able to cover its fixed and variable cost for each client. The program must generate revenue from other sources to cover $407,087 of the fixed costs.

These examples illustrate how break-even analysis can be used to examine the relationship between volume and cost. It can be used to calculate the price or cost of delivering a unit of service to each participant. It can also be used to set goals for attendance or the number of clients to be served.

Marginal Cost

Marginal cost is another way to examine cost. Like the break-even analysis, marginal cost takes into account fixed and variable costs. When a licensed child care program, for example, must have a teacher-to-child ratio of one to eight, what is the marginal cost of serving the ninth child? The answer is total fixed costs plus total variable costs divided by the change in the number of children (one).

In this example, a child care center serves an average of 44 children. Fixed or indirect costs for the year—occupancy, depreciation, insurance, licensing, housekeeping and maintenance, administration, and fundraising—are a total of $50,357. Variable or direct program costs including personnel, program supplies, field trips, total $176,155. Full-time teachers are paid $24,000 per year. To retain its license, the child care center must maintain a teacher-to-student ratio of one to eight. In this example, the marginal cost of serving the second child is $48,187. Marginal cost decreases until the ninth child when a second teacher is added. This increases marginal cost (see Table 49.5).

Assumptions				
Total fixed cost	50,357			
Total variable cost	176,155			
Teacher salary	24,000			
Teacher:child ratio	1 to 8			
Number of Children	*Total Fixed Cost*	*Total Variable Cost*	*Average Total Cost*	*Marginal Cost*
1	50,357	46,019	96,376	
2	50,357	46,019	96,376	48,187
3	50,357	46,019	96,376	32,123
4	50,357	46,019	96,376	24,091
5	50,357	46,019	96,376	19,271
6	50,357	46,019	96,376	16,058
7	50,357	46,019	96,376	13,762
8	50,357	46,019	96,376	12,040
9	50,357	70,019	120,376	13,367
10	50,357	70,019	120,376	12,029
11	50,357	70,019	120,376	10,933
12	50,357	70,019	120,376	10,020
13	50,357	70,019	120,376	9,248
14	50,357	70,019	120,376	8,585

Table 49.5 Childcare, Inc., Marginal Cost Analysis *(Continued)*

(Continued)

Number of Children	*Total Fixed Cost*	*Total Variable Cost*	*Average Total Cost*	*Marginal Cost*
15	50,357	70,019	120,376	8,011
16	50,357	70,019	120,376	7,509
17	50,357	94,019	144,376	8,477
18	50,357	94,019	144,376	8,004
19	50,357	94,019	144,376	7,581
20	50,357	94,019	144,376	7,200
21	50,357	94,019	144,376	6,855
22	50,357	94,019	144,376	6,542
23	50,357	94,019	144,376	6,255
24	50,357	94,019	144,376	5,993
25	50,357	118,019	168,376	6,711
26	50,357	118,019	168,376	6,451
27	50,357	118,019	168,376	6,210
28	50,357	118,019	168,376	5,986
29	50,357	118,019	168,376	5,778
30	50,357	118,019	168,376	5,584
31	50,357	118,019	168,376	5,401
32	50,357	118,019	168,376	5,231
33	50,357	142,019	192,376	5,798
34	50,357	142,019	192,376	5,625
35	50,357	142,019	192,376	5,462
36	50,357	142,019	192,376	5,309
37	50,357	142,019	192,376	5,163
38	50,357	142,019	192,376	5,026
39	50,357	142,019	192,376	4,895
40	50,357	142,019	192,376	4,770
41	50,357	166,019	216,376	5,237
42	50,357	166,019	216,376	5,111
43	50,357	166,019	216,376	4,990
44	50,357	166,019	216,376	4,875
45	50,357	166,019	216,376	4,764
46	50,357	166,019	216,376	4,659
47	50,357	166,019	216,376	4,558
48	50,357	166,019	216,376	4,461
49	50,357	190,019	240,376	4,858
50	50,357	190,019	240,376	4,759
51	50,357	190,019	240,376	4,663

Number of Children	*Total Fixed Cost*	*Total Variable Cost*	*Average Total Cost*	*Marginal Cost*
52	50,357	190,019	240,376	4,572
53	50,357	190,019	240,376	4,483
54	50,357	190,019	240,376	4,398
55	50,357	190,019	240,376	4,316
56	50,357	190,019	240,376	4,237
57	50,357	214,019	264,376	4,582

The marginal cost of serving eight children is lower ($12,040) than serving nine ($13,367). Marginal cost is calculated by dividing the total average cost (fixed plus variable costs) by the number of children served. This child care center could serve up to 48 children at a marginal cost of $4,461.

As the number of children increases, Figure 49.1 shows marginal cost decreases.

The addition of a teacher for every eight students explains stepped increases in variable cost and in total average cost (fixed plus variable costs). When a hospital adds an expensive piece of diagnostic equipment, the marginal cost of serving the first patient using the new machine is much higher than the last patient on the old one. In health, education, and some human services, variable personnel and equipment costs driven by volume or the number of individuals served produce stepped increases.

In sum, when there is a clear unit of service, fixed and variable costs can be estimated. Break-even and marginal

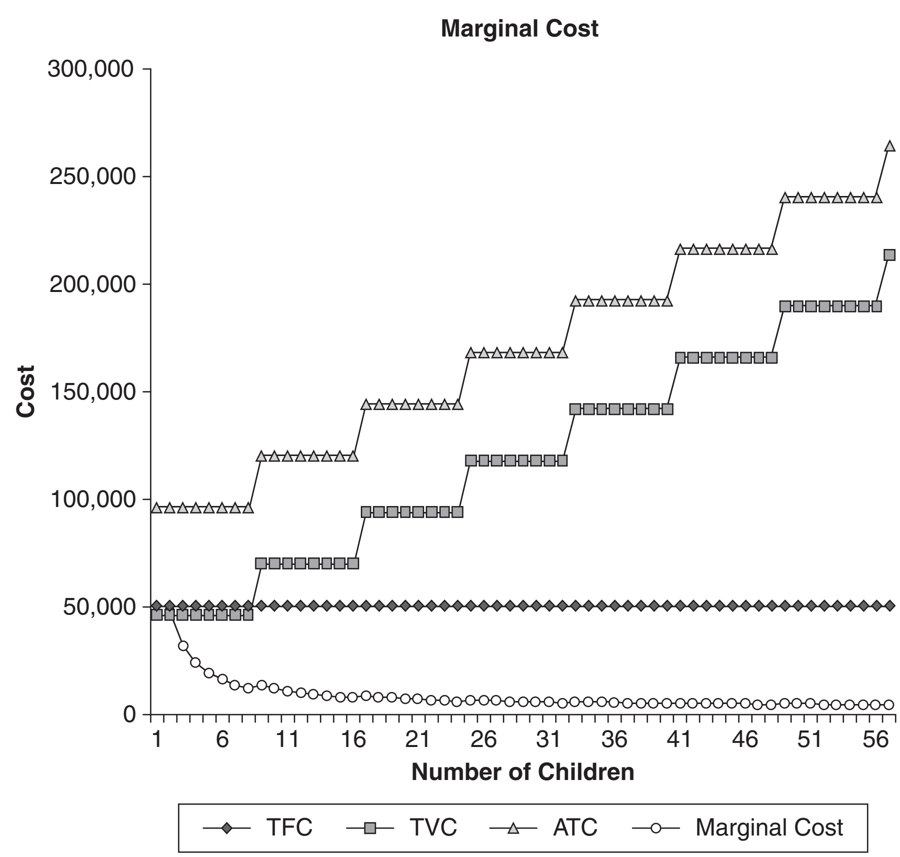

Figure 49.1 Childcare, Inc. Marginal Cost Graph

NOTE: TFC represents total fixed costs; TVC represents total variable costs; and ATC represents average total costs.

cost can be used to examine the relationship between volume, cost, and price. If the price or reimbursement rate is too low, fixed and variable costs will not be covered. This is a concern for health, education, human services, and arts organizations, where payments or fees and earned income make up a significant portion of total revenue.

Summary

Forecasting and budgeting are disciplined efforts to understand a nonprofit's past to plan for its future. While an unanticipated source of revenue or expense can occur at any time, when a budget planning process is in place, it is more likely a nonprofit will remain on course. Operating budgets, program budgets, cash flow budgets, and capital budgets allow nonprofits to project and track expense and revenue. In addition to being a planning tool, a budget is part of a system of checks and balances that safeguard a nonprofit. Finally, break-even and marginal cost analysis examine the relationship between admission fees or reimbursement rates, the volume or quantity of service, and cost (fixed and variable). To the extent a nonprofit relies on earned income, this is a central budgetary concern.

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Defining Fundraising Success Through Strong Donor Engagement

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What is success in fundraising? Depending on whom you ask, you might hear any number of responses: adding donors, raising more money than last year, or simply meeting the annual fundraising goal. Certainly, those answers reflect the *result* of great fundraising. However, in successful fundraising, the focus should be not on the result but on *how* the organization delivered that result.

Just about any organization can successfully deploy strategies to raise short-term cash, and many do. Usually, they're the same organizations that constantly look for the new trend in fundraising to meet their board's short-term expectations. But truly successful organizations focus less on short-term cash and more on the long-term engagement of donors.

Consistent and long-term giving is driven by relationships. When strong relationships exist, organizations expand, grow, and perform at levels other organizations dream about. More important, they build momentum and drive change in communities through a donor base devoted to success for the organizations and the people they serve.

So what is donor engagement? It's a measurement of the relationship between an organization and a financial supporter, volunteer, or advocate. It's determined by a combination of interest in the issue/cause, experience as a recipient of the programs/services, involvement in the operations, and ability to affect the direction of the organization. Donors that exhibit high levels of engagement get involved in all levels of an organization—as a volunteer and adviser, advocate for the cause in the community, and a financial supporter. Donors with limited levels of engagement exhibit an interest in the work of the organization, but the relationship is primarily a transaction lacking a clear understanding of the organization's direction and operational needs.

As they devise strategies for successful fundraising, leaders of organizations must recognize and address the level of donor engagement for long-term fundraising success. Doing this requires a new level of thinking, beyond the typical direct mail letter.

Each section of this chapter will focus on how to engage donors and strengthen relationships as a way to receive the support an organization needs to be successful in its mission. The long-term success and sustainability organizations desire is possible with a committed and engaged donor base. Here's how to make it possible.

Before You Reach Out

It's perhaps a tired analogy, but it's nonetheless apt: If you think of development as an action instead of a process, you'll be like a farmer who one day decides to plant crops . . . without having spent any time purchasing equipment, creating a plan, or preparing the field. Sure, that farmer might see a few green shoots coming out of the ground in spring, but the odds of a bountiful harvest and long-term sustenance are slim.

The process of engaging donors must start well before an organization picks up the phone or sends out that first note asking for an appointment. Potential donors will expect the organization to be prepared to answer questions, provide information, and make a clear, concise demonstration of need, mission, and capacity. If it doesn't have answers when potential funders ask questions, the organization will lose credibility . . . and opportunities.

The good news is that preparing an organization for these situations requires activities that should be a part of the usual routine. Following are some of the highlights.

Understand the Organization's Business Model

The organization's leaders must know and consistently test the organization's fundamental business model. Fundraisers and executive leadership should know how the organization operates, raises revenue/support, and be clear on the program and administrative expenses necessary to perform the community work. Before they make an investment, donors want to know you are capable of using their money appropriately and that you have a clear path to achieving your desired outcomes.

Think Proactively

A good organization is interested in ongoing growth and refinement—it will always look for ways to be stronger and more efficient. Some donors happily support such efforts by making gifts aimed at strengthening the organization. Before working with donors, define how a donor can strengthen the organization and enable it, not only to continue its important work but to grow or enhance its program services.

Refine the Message

Everyone in the organization must be able to clearly express the organization's role in and value to the community. Everyone should have an answer to the question, "What fundamental message must our constituents and donors remember about us?"

Volunteer Opportunities

Everyone must work to bring potential supporters into the organization's circle, focusing on the one resource most people can afford to give, even in the leanest times: time. The organization should provide opportunities for constituents to see the work it does and meet the people involved so they build relationships that yield long-term support. Before cultivating, find those opportunities and make it easy for donors to participate.

Communicate a Story

Organizations must describe their work through real stories about the organization's successes and challenges as illustrated by the achievements and hurdles experienced by its service recipients. This will appeal to donors' hearts and minds, making them much more likely to get involved or make a gift. An organization that strategically "gets the story out" and shows how it makes a difference will rise to the top.

Find Answers

If the organization sees decreases in program participation or fees for services, it shouldn't shrug it off as a product of outside forces. It must analyze the problem to see what's happening and how long it's been happening. Often, organizations pursuing this process will discover challenges that help to redefine services and programs. These answers will be important when donors question program impact or financial needs.

Defined Direction

The organization should have a clear plan of work for the next 12 to 36 months—in other words, a strategic plan. If it doesn't, its leadership must dedicate itself to developing one that helps the organization stay on track to meet objectives defined by the board. It's hard for donors to engage in an organization when there is no direction or clearly defined future that makes engagement possible.

Executing these strategies will prepare an organization's people to speak confidently and convincingly to potential donors and to provide them with the information they need to feel good about engaging with the organization. The professionalism and competence projected as a result of this process will deliver tangible results and inspire the kind of confidence that promotes long-term relationships.

Development Is Part of the Organization's Culture

Understanding a donor's true interests is priceless, but organizations often fail to really grasp it. Sure, they'll spend time focused on determining what attracted donors, what motivated them to give, and why they're so involved. In those efforts, they'll expect to hear the usual reasons for giving: personal connections to a cause, a good friend encouraged them to give, and so on. But a conversation we recently had with a donor suggested how the process can work. And while, at first glance, it seems like an unusual story, we believe that it holds truths far more universal than most of us might think.

As we chatted, this particular donor recalled that, one day while having a cup of coffee and reading the newspaper, he came across an article about a young girl who was working hard to be the first in her family to attend college. The girl's passion, motivation, and determination struck a chord with him. He read on and learned about how a local organization was mentoring and providing guidance to the girl to help her achieve her goal of going to college. The donor said, "I immediately saw myself in her. She was struggling in high school and trying to make her family proud. She was looking for a helping hand—not a handout, but a boost to go to college."

He visited the organization's website and perused the programs to get an idea of how it does its work. He spent time looking at other stories of high school students in similar situations who were all working toward college. He then called the executive director and asked for a meeting. He also wanted to visit a student session to see how the program staff works with students and why the model is successful. After witnessing the organization's work and impact firsthand, he was moved to become a donor. Years later, he has increased his giving and is now the organization's largest donor.

What can we learn from this? Well, let's analyze the donor's experience.

Moved by a Story

The donor first encountered the organization's work through a touching story that highlighted a program participant. The story was placed by a public relations staff member who chose to focus on the cause—and a story about a person whose life was positively affected—rather than the organization.

Informed by Facts

The donor then went to the organization's website, where he found information about the programs, details about the organization, and more stories about the people being served. The organization's webmaster, public relations staff member, two interns, and an administrative support team member worked on the website to maintain its relevance and to keep it updated.

Compelled by Results

The donor then visited with program staff to hear about the organization's niche and model. Because of the impressive actions of the program staff and the outcomes produced from their work, this donor was motivated to make a gift because he felt their work was what the community needed.

Engaged by a Team

More than a half dozen people played a role in this donor's decision to make a gift. So often, when we think of fundraising, we think about the development department only. Clearly that's short-sighted. Everyone in an organization makes it possible for donors to give of their resources for the people served.

Certainly, this one donor's story initially seemed out of the ordinary, but as we followed it through to its conclusion, we saw themes common to most good fundraising efforts. We saw that successful organizations spend time talking about the impact everyone can have on development rather than believing fundraising is solely a function of the development department. Leaders make certain that everyone works as teams and understands how each individual's work adds value to the donor experience. And, finally, in those organizations with the greatest success, development, program, operations, communications, and other departments have regular opportunities to discuss how to have a greater impact on the donor-engagement process.

Engaging Your Audiences

So, the organization has provided information donors need to make decisions and made development an organizational mission rather than one delegated to a single department. Now the organization is ready to begin the active work of fundraising.

Assuming an organization's leader has mastered basic fundraising tools such as direct mail and special events, how does he or she go beyond those simple tools and truly engage donors? The following section offers three ways the nonprofit professional can enhance fundraising efforts with new techniques and tools that target engagement over transactional fundraising.

Make It Easy to Give

Suppose an organization had a way to reach out to donors at the time when they are most interested in giving? Or in a place where they are already thinking about your organization? Or a situation in which they are predisposed to engage in your message and cause? Sound like a fantasy? Not really. Retailers of all sorts already have embraced this approach, and they hit you with it all day, every day. How? Consider a day in the life of a typical consumer.

6 A.M.: Debbie turns on the TV and checks her DVR for the recorded shows from last night. She considers buying an entire season of *Law & Order* after an offer pops up on the screen.

7 A.M.: As Debbie syncs her iPod for the drive into work, she notices the Apple "Genius" recommendations. Genius, indeed: She buys two albums . . . and likes them.

8 A.M.: Debbie goes to Staples to pick up office supplies and toner cartridges. She uses coupons she received as a Staples Rewards member. It just so happens the coupons are for the items she needs.

9 A.M.: While checking e mail at the office, Debbie notices a link to a favorite neighborhood restaurant pops up in the sidebar. She clicks the link and finds a coupon for dinner. Coincidence? Don't bet on it.

11 A.M.: Back at the office, Debbie's making flight arrangements for a client visit in Chicago. She searches for dates and flight times, but the options she sees are a little pricey, so she calls it quits. But wait! Later, she gets an e mail from Orbitz . . . the price for the flights she was considering just went down. She books a flight.

12 5 P.M.: Debbie has a client visit and meeting. (She does have to do more than shop, you know.)

> **6 P.M.:** At home after a long day at the office, Debbie walks in to find her husband using the family computer to visit the website of a favorite retailer. "Guess what?" he says. "You get 20% off if you fill out a survey. . . . That's like free money." Debbie agrees.

What a day. Debbie's exhausted from all of the deals she received, but she really didn't have to work to get them. Of course, none of those deals were accidents, nor were the buying decisions they prompted. They were the result of information that companies collected about Debbie and the way they put that information to work. They tailored e-mail content to her, made information she cares about prominent on their websites, and made it easy for her to buy.

Certainly, the first part of that equation—understanding the customer and his or her motivation—is priceless, but it's only half of the solution. The other half—the half that can really revolutionize the way you go about fundraising—is making it easy for people to engage with an organization. And that's what sets growing organizations apart from stagnant ones.

But, wait: Not all of us have the high-tech weaponry those companies used. That's OK. This engagement isn't all about tools. Even more, it's about an approach to donor understanding that's available to just about all of us if we're willing to embrace it—an approach that requires thinking beyond numbers, making personal contact, focusing your message, and putting engagement before a financial donation.

Go Beyond Numbers

An organization might have all kinds of data about people who have interacted with it, but it needs to create a profile of the patron or donor that's about more than demographics. It must understand who contributes to the organization, the individuals or institutions that should care about the cause, and how that interest or experience matches with the organization. How do people come to hear about the organization? What institutions, networks, and donor communities attract others to experience the work of the organization? These driving forces are "evangelists" for the organization and should be embraced and understood to craft ongoing engagement strategies.

Be Specific

The companies above did not say to Debbie, "Come in and shop around." They offered specific deals based on interests. They provided coupons for items she wanted. They sent e-mails for trips searched. If an organization wants engagement, it must be specific and make it easy, using language that lets the donor know exactly what it wants him or her to do. If an organization wants people to spread the word about a project, a community event, or an action, it must be specific and ask, then make the necessary tools available within short steps.

Think Action, Not Money

This is about engagement first and buying second. As an organization sends targeted messages, it should find opportunities for engagement and send messages to prompt that engagement. We must all think about the companies above—they put customer interests first and the purchasing of a product second. Similarly, an organization should put the relationship first and the "give" second. If you ask and receive support, think how you are going to engage donors in understanding the work of the organization. You will have to work extra hard for that next gift because a transaction before a relationship usually is based on impulse and coercion, characteristics that will drive short-term success but not long-term donor involvement.

Every time you use your rewards card or customer loyalty shopping pass, you're not just delivering data to a retailer, you're helping a company meet your needs. You're helping that company connect with you at a time when you want a connection. You're helping it satisfy your desires. And, along the way, you're helping it be more efficient and more successful. Think about how organizations do that for the people they serve and for the organization they care about.

Engaging Young Donors

Fundraisers often ask, "Why should I spend time working with young donors?" In response, we often challenge them to perform a simple test: analyzing the age of their current donor base. If they're like many organizations, they'll find a significant number of donors age 40 and over. You're likely thinking, "So, what's wrong with that? That's where the money is; that's the most efficient base. If an organization can meet its goals focusing on that base, why spend time chasing younger donors with fewer dollars?"

It is true that a lot (but not all) of the money is in that older demographic. But fundraising isn't—and never should be—simply about raising money today. It's about developing relationships that result in long-term stability and effectiveness. Achieving that objective requires diversity. Think of an investment portfolio: It requires investment in long-term vehicles as well as those with a quicker, more short-term return. Similarly, when it comes to cultivating donors, organizations need to work with those who can make an immediate impact as well as those who have the ability to contribute stable returns over a longer period. So, the focus should be not on why an organization should focus on engaging young donors but on how to do it.

Before we talk about how to engage these donors, however, we offer a quick caveat. An organization might be tempted to pursue this effort to become relevant with the 20- to 30-something audience by setting up a Facebook page or some other social media site. Many organizations assume that, simply by putting themselves in that setting, they'll attract young donors. But this approach often fails because, simply put, technology can be a useful tool for engagement, but it does not represent engagement entirely. To reach young donors, an organization must consider what those potential donors respond to based on life, work, and personal interest. In our experience and research, we've found that young donors respond best to organizations offering the following four benefits.

A Personal Connection to the Mission

Typically, young donors are involved in organizations related to causes or issues by which they or someone close to them have been personally affected. If a woman fights cancer, she might enlist in a cancer-related organization. If a man loves to read, he might volunteer to battle illiteracy. If a young family has overcome poverty, they might volunteer at a food bank. Once connected to an organization, these people want to help shape the direction or have the opportunity to directly assist someone served by the organization.

Access to Networking

Young donors and professionals view involvement as an opportunity to network with like-minded individuals. They also see involvement in an organization as a means to meet other professionals and local community leaders—possibly with the objective of eventually serving in larger, more powerful organizations.

Social Opportunities

Young donors are encouraged by opportunities to work with and be involved in organizations with a social atmosphere. They want opportunities to volunteer and to attend or participate in programs of organizations where the experiences are lively, upbeat, and positive.

An Easy Way to Plug In

Again, it's about making it easy. Young donors are looking for easy ways to get involved. They respond to calls to action and clear methods to make a difference. If, when they look at websites and other information for an organization, they find it cluttered, or they can't clearly see next steps, they will move on to another, easier-to-reach opportunity.

All organizations should embrace these four key elements as they develop a fundraising strategy for young donors. It can be a fairly straightforward process. For example, some organizations develop societies and clubs for young donors—as part of the club, the young donors connect with other young donors in unique social settings, meet with key leaders, and volunteer. These kinds of societies provide an entry point for young donors to get involved. Yes, social media can help to support this effort, but an organization shouldn't assume that social media alone will build this base.

Organizations also shouldn't assume that, once they've made connections, they can stop there. They must continue to develop the relationship, cultivating and visiting with young donors to show how they admire their passion and showing them how they can affect the work of the organization. The organization should give them opportunities to rub shoulders with more veteran donors and community leaders, listen to their ideas, and make them feel connected to the mission. Finally, they should offer young donors private meet-and-greets with board members before board activities and invite them to work with staff to shape a strategic plan, for example.

In short, an organization must engage the young donor's enthusiasm, passion to improve the community, and desire to connect personal networks with the organization's work. In doing so, it likely will develop a relationship that pays long-term returns. After all—these young donors aren't young forever.

Getting Volunteer Leaders Into the Game

A volunteer from a dance troupe—we'll call him Kevin—called to invite my wife and me to an event. After opening the conversation with, "This is not your grandmother's ballet," Kevin went into a brief description of the event, explained why he thought I would like it, and shared a little about the work he's done to help the troupe get to where it is today. It was a nice chat. Kevin happily answered questions, provided detail I requested, and, without a lot of dazzle, made a simple case for how much he values the dance troupe. Swept along by his enthusiasm, I accepted his invitation.

Too often, nonprofit organizations fail to properly harness the fundraising power of people like Kevin. Some organizations seem to think fundraising is too important and complicated for volunteers. Certainly, organizations get their volunteers involved, but many do so without training, processes, and coordination, and as a result, they fail to see the results they expect. The mistake many of these organizations make is assuming that volunteer engagement in fundraising is an option. It's not. No organization will reach its potential if it "leaves fundraising to the professionals" or fails to engage and equip its volunteers for success.

The good news is it's really not that difficult to make volunteers a successful part of fundraising. The better news is that, once an organization gets volunteers on board, they can drive real fundraising growth.

Harnessing Passion

Before we start looking at how an organization can successfully engage volunteers in fundraising, let's consider *why* they should. Really, there are a few simple reasons:

- *Volunteers have passion.* They're excited by what the organization does, or they wouldn't volunteer. And, like anyone who's found something exciting, they're eager to talk about it and get others involved.

- *Volunteers give more than money.* They want to see the organization succeed, and they're willing to spend hours and hours to help make that happen.
- *Volunteers want to chart the course for the organization's future.* While this applies especially to board members, it also includes anyone who is willing to work with others to develop solutions to the average nonprofit's ever growing list of challenges.
- *Volunteers are great marketers and influencers.* Like Kevin, my friend who volunteers on the board of the dance troupe, volunteers are happy to talk about the great things their organization is doing, and they'll reach out to friends, business colleagues, acquaintances, and others with whom they already have influence.

With all of these assets at the organization's disposal, why wouldn't it tap into your volunteers? And why do we consistently hear stories of volunteers and board members struggling with fundraising?

The First Big Hurdle

Before discussing any tricks, strategies, or new tactics, let's acknowledge a big hurdle, that thing that takes less than a minute in conversations with potential donors but nonetheless dominates our apprehension: the dreaded "ask." Many people say that's what scares them most about fundraising. But, really, they're only being partly honest. Sure, the "ask" is frightening, but that's not the part that keeps volunteers awake at night or that makes them want to crawl into their cars, go home, eat a bowl of ice cream, and wallow in sadness. No, what really trips up volunteers is what comes after the "ask": the answer, which they fear will be "no."

As large as it looms in our expectation, the "ask" is not what fundraising is about. It's a tiny part of a process that should focus far more on proper management of fundraising activities and simple strategies of cultivation and stewardship. Shifting that focus so that the organization worries less about the "ask" may ensure that volunteers hear a lot less "no" and a lot more "yes."

How to Help

Planning and organization are essential to fundraising success, especially when involving volunteers. The organization should start this process with some steps that will help maximize volunteer involvement and push the organization toward its revenue goals.

Create Portfolios

Each volunteer should be assigned a portfolio including certain donors. The number of donors in a portfolio is not as important as the types of donors included. Each volunteer should oversee donors that meet the following criteria:

- The donor has potential to give to the organization above and beyond an average annual gift.
- The donor and the volunteer have a potential "touchpoint" or connection beyond formalities.
- The volunteer has the ability to develop and sustain a relationship over time.

For donors meeting those criteria, the volunteer will be the main contact and the primary person responsible for cultivation and stewardship activities.

Provide Structure, Support, and Accountability

At each board meeting, the organization should set aside time for all volunteers to review their portfolios, discussing activities performed and raising concerns. This is a time for the volunteers to work together to ensure they are conveying the organization's proper message to the donors and to prepare for any challenges that may arise. The focus is on cultivation and stewardship. If a volunteer hints that it might be time to ask a particular donor for support, he or she can test the "ask" with others and seek advice. This team-based approach will ensure that volunteers are not working alone; rather, they're working together to reach the organization's financial goals.

Document and Share

It's important that someone—a staff member or volunteer—manages the portfolio system for everyone, ensuring that, after every meeting, comments are updated on a grid, Excel spreadsheet, or Word document. Once changes are made, the document is sent to all volunteers to remind them to advance their relationships with their portfolio donors before the next meeting.

Cultivation and Stewardship

The words *cultivation* and *stewardship* get thrown around a lot in fundraising, often with the assumption that everyone knows what they mean. Still, a lot of people don't really understand them. So let's address them briefly.

Cultivation is a set of activities used to deepen a relationship with a donor to seek his or her support. Please note that we're not speaking only of financial support but also of support through other resources, such as connections and in-kind advice/counsel. Cultivation activities might include—but not be limited to—personal meetings about the organization, working with the donor to develop a giving plan, invitations to events/programs, updating the donor on the organization's success and challenges and describing how the donor can be supportive, and using tailored communications to ensure that the donor is aware of the organization's current plans.

Stewardship is a process and series of activities and actions that reinforces donors' decision to support an organization. Through ongoing relationship building and trust, volunteers keep donors informed of the impact of their gifts, the work of the organization, and opportunities to continue their involvement. Stewardship activities include—but are not limited to—visits to performances, events, or other programs to see how gifts have been used; opportunities to visit with performers, service providers, and others to see the action firsthand; special events and programs where supporters are thanked; and personal visits to hear about exciting new offerings and programs by the organization.

When we consider how volunteers can be more effective fundraisers, we realize that it comes down to a few simple things: How effective volunteers can be at cultivating donors. How well they can harness their passion, share their stories, and focus on the great things the organization has planned for the future. How well they can explain and demonstrate their own ways of supporting the organization. And, finally, how well they can steward donors.

Or, in other words, how well they can look beyond the "ask" and forge a partnership that delivers long-term benefits. How can the organization help? By providing support and encouragement, using a structured system that will track volunteers' progress, creating a team environment allowing volunteers to work together, and, finally, unleashing the volunteer's passion and interest in helping the organization succeed by encouraging strong cultivation and stewardship practices.

Does It Work?

Remember Kevin, the volunteer who called to invite me to the ballet event? My wife and I did go to the event. As I walked in the door, Kevin stepped away from the cluster of people he was talking with and greeted us. He introduced us to other volunteers, supporters who were like my wife and me. He gave us a brief tour of the facility on our way to our seats. At intermission, he was the first one to ask my thoughts. And he was right: It was not my grandmother's ballet.

At the end of the show, as I was walking out, he said to me, "Derrick, I hope tonight you were able to see why the dance troupe is so important to me. As one of my valued friends, I felt it was important to share that with you. Now, with your permission, I'd like to call you later this week to talk about ways I think you could help us. Do you mind if I call you?" Sure enough, in a few days, he did call. My wife and I now support that dance troupe in a number of ways.

Maintaining Relationships

Even if an organization successfully engages donors, it will eventually lose them if it isn't intentional and consistent in its efforts to maintain relationships. Often, making this work starts with having the right attitude toward these relationships and toward donors themselves. In the following section, we'll look at a couple of mind-sets that can play a big role in your success.

Treating Donors as Shareholders

Recently, while perusing the Apple company website, my eye settled on a feature common to many public-company websites: the link to investor relations. I clicked on the link and immediately found information on the status of the company. Of course, this section included forms required by the Securities and Exchange Commission, proxy materials, and earnings releases. But the most interesting section included letters to shareholders from CEO Steve Jobs and a video from the last shareholder meeting.

I had a few moments, so I clicked "play" on the video to hear Jobs talk about Apple's financial strength, the challenges he sees ahead, and the strategies the company will pursue to overcome those challenges. Then I listened as he talked about what viewers probably care about most: the cool new products Apple plans to debut. It was exciting.

As I watched this, I wondered: What can nonprofits learn from the way Apple—or any public company—engages shareholders? The answer is simple: Treat donors as shareholders. Certainly, no individuals have ownership stakes in nonprofits, but they invest in them through their contributions. Shouldn't they be treated as investors? Think about it: When was the last time a nonprofit you're familiar with shared real information with donors—details about its financial position, strategic plan, or vision for weathering economic storms—the way we expect public companies to? And when was the last time the organization posted a video on its website to inspire excitement? When was the last time it offered a frank discussion of the difficulties it faces and its plan for overcoming them?

Often, nonprofits get caught in what we call "one-sided" fundraising, spinning everything into good news. For their part, too, many donors happily accept such spin, looking only at past accomplishments and forgetting to inquire about what's in store for the future. This must change. Organizations should treat donors as shareholders, and donors should act more like investors. Who should lead this transformation? The nonprofits. And they can do so with a few simple steps:

Communicate the Organization's Current and Ongoing Health

An organization should go beyond the annual report and maintain a page on its website that serves as an almost-real-time dashboard, with details about financial stability, strategic direction, impact, and news. If something dramatic happens, such as a major gift or a big problem, the organization should send an e-mail to key donors sharing the news and the plan for addressing it.

Send Quarterly Letters to Donors

Executive directors should post on their organizations' websites or in newsletters quarterly messages that detail the health of the organization, accomplishments, changes in strategy, and obstacles. The organization should consider new media, such as a blog or online video, to deliver the message.

Arrange Stakeholder Visits With Leadership

Organizations must go beyond simple donor visits to let donors see their dollars at work. They should create opportunities at the organization's facilities for program participants to describe to donors how the organization helps them. Leadership should visit personally with donors who want to discuss the organization's strategic direction, whether at a special event, in a conference call, or before or after board meetings.

Think "Action," Not "Reaction"

Organizations can't wait for outside events to force communication; they should develop and share strategies that show vision and steadiness. And they should work with development and marketing/public relations teams to make sure donors understand key issues and how the organization will address them. Waiting to communicate until a problem becomes a crisis will inspire fear, rather than confidence in an ongoing investment.

If nonprofit organizations' board members and leadership incorporate these simple steps, they'll see a return in the form of stronger donor cultivation and stewardship practices. And if donors grow to expect such practices, they'll feel more engaged in the organizations they support, more involved in their missions and, as a result, more valued as individual supporters.

The real winners? The people and organizations that benefit from nonprofits' work. With a stronger partnership between organizations and their donors, the organizations will be stronger, better operated, and more capable of fulfilling their missions.

Keep Foundation Relationships Fresh

There is an old saying in philanthropy that one foundation is one foundation. This is true; but understanding the unique position of foundations in the nonprofit sector can ultimately help an organization raise support from these institutions.

The following is a story of a visit to a family foundation on behalf of a client. As part of an assessment of the client's relationships and their impact on the community, we were meeting with a number of corporations, foundations, and individuals that support our client. In the course of those meetings, we were asking a series of questions about the connection between the organization and its funders. These questions ranged from, "How many times do you hear from the organization?" to "What are the conversations about?"

During this particular meeting, the foundation's head of grantmaking—we'll call him Paul—made comments that spoke volumes about the foundation's relationship with our client. In some cases, he revealed more than probably even he realized. First, Paul described an event he had attended that was hosted by our client. It was fine, he said, but seemed a little chaotic. My first thought was, "OK . . . that happens . . . we've all been there." But then he mentioned that, at the event, several board members approached him to thank him for the recent grant. While Paul appreciated the gesture, he was troubled by the conversations. It was clear that the board members did not know the extent of the grant, or if they did, each of them had a different vision of its outcome.

As the conversation continued, Paul also mentioned meetings he had had with our client's CEO and vice president of development. The meetings were nice enough, he said, but every time they came in, it seemed like there was this big division—a wedge if you will—between him and them. The conversations were superficial, never relating to the real work of the organization, its challenges, its current financial footing, and so on. As they talked, Paul said, the conference table that separated them seemed to get bigger and bigger.

So, what did we see in these stories? A lot of what Paul felt: That the relationship between his foundation and our client was not built on authenticity and trust. To Paul, it had begun to feel simply transactional. So what kind of relationship should an organization have with foundations?

To understand this, first you should put yourself in foundations' shoes. They're inundated with requests—not only for money, but also for meetings, appointments, partnerships, and so on. They're usually told so many "great" things about an organization that they have a hard time seeing the truth through the murky waters of self-promotion. Perhaps most important, foundation executives work first and foremost to meet expectations set forth by the original donors and board of directors. This means that they're not trying to assess whether an organization is worthwhile—they assume it is. But they are trying to understand how the organization aligns with such expectations and whether it has the ability to achieve promised outcomes.

Now consider the following simple steps the organization can follow to deepen its relationships with foundations:

Communicate Well

Remember: Foundation executives receive more e-mail and mail than anyone would ever want. So, when initially visiting with foundations, the organization should ask program officers how they like to receive communications. Do they prefer e-mail or mail? Offer to send quarterly updates that talk about the recent impact and organizational changes and news and not blanket communication pieces. Finally, you must convey what you are doing that connects with the interests of the foundation.

Make Meetings About More Than the "Ask"

Smart development professionals know that a good relationship is about more than money, so they make meetings about more than money. They meet occasionally to discuss the work of the organization and the grant while also discussing challenges it faces or changes that are occurring. They are realistic and honest to ensure that the foundation has a good understanding of the organization's health. They remember that foundations support organizations that can meet projected outcomes and impact, and they give them reason to believe they can.

Build Internal Awareness

Sound organizations make sure their boards and staffs are aware of the conversations and collaborations they have with foundations. They don't let them get caught off guard when they run into a leader or staff person from a foundation that supports the organization.

Let the Work Speak for Itself

The organization should show the foundation what it does, how it does it, and what makes it special. It lets foundations experience what makes the organization important to the community, recognizing that they're interested in the people the organization serves—that's who they're really investing in. And the organization remembers sending late reports, poorly written materials, and other evidence of sloppiness will project badly on the entire organization and its work.

Summary

As organization leaders build fundraising programs and develop strategies for meeting fundraising goals, they must think first about the donor, putting themselves in his or her position and assessing whether they have attained a level of engagement for financial support. Organizations that understand donors' levels of engagement will craft strategies that speak directly to donors, avoiding strategies rooted in blanketed messaging and gimmicks. Strong fundraising organizations speak to the levels of engagement and interest of the donor who is eager to help the people served.

As a fundraiser, it is important to resist the temptation for short-term results at the expense of long-term relationship building. Fundraising is an engagement process that will take time, patience, and ongoing maintenance. Philanthropy is a long-term investment that can yield great results once donors are engaged. Define a fundraising future for the organization by crafting approaches that put the donor and the people served at its heart.

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Leading the Traditional Giving Pyramid

Overview of Types and Levels of Giving

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The term *giving pyramid* actually refers to two different but related aspects of a strong comprehensive fund development program. Both pyramids emphasize that to be successful, a fund development program should incorporate strategies and methods that appeal to a variety of donor motivations and involve a broad range of donor levels and types. A fund development program that relies on one or two primary strategies or is dependent on a handful of donors is limiting its potential to maximize the level of community support it receives. It is also vulnerable to changes in donor interest and involvement, a vulnerability that can threaten the future existence of an organization, if that single donor support is lost or cannot be replaced.

The first and most common application of the giving pyramid is to ensure that all levels of giving are included—small donors as well as major contributors. It acknowledges that in any fundraising effort, most funds will come from relatively few major donors. But it also emphasizes that having a strong donor base of smaller contributors can be critical for the future growth of the fund development program. The second application of the term-giving pyramid is that a fund development program should incorporate a variety of donation methods—including annual giving clubs, direct mail appeals, Internet strategies, capital campaigns, major gifts, planned gifts, and special events.[1] This *pyramid of giving methods* not only emphasizes the need for a variety of giving methods to appeal to different types of donors but also encourages the efforts of a fund development program to "move the donors up the giving ladder." For example, a program may involve donors initially at lower levels of giving such as coming to a special event and then work to increase their donations and eventually make a planned gift to the organization. Together, these two applications of the giving pyramid emphasize that fundraising efforts are generally not successful when they are approached arithmetically (e.g., "to raise $1 million means getting 1 million people to send in a contribution to a mail appeal for $1 each"—which doesn't work in practice). Instead, a good fund development program is most successful when it is approached using a variety of strategies to involve a wide range of donors.

This chapter outlines both of these pyramids—including a description of what each pyramid is, why it is important to a nonprofit organization, what elements make up that pyramid, and how to use "the traditional giving pyramid" for planning purposes. Guidelines are also provided that show how these giving pyramids allow nonprofit managers an opportunity to evaluate the current strength of their fund development efforts. Criteria are also shared that can help those managers determine steps to improve the effectiveness of their fundraising program. The chapter concludes by summarizing the key elements for "leading the traditional giving pyramid." But, first, a historical perspective provides background on how this concept has developed, especially in the United States.

Historical Context for the Traditional Giving Pyramid Concept

The concept of giving donations to organizations that provide services to benefit the greater community is found throughout history in all cultures.[2] In the United States, the importance of providing mutual community support is found in the earliest writings of the settlers of the New World. One of the first is John Winthrop's "A History of Christian Charity" (1630) and his image of founding a "city on the hill" based on the support of community members. These settlers of colonial America also were averse to forced contributions dictated by a government body. Instead, they placed a high premium on the innate generosity of their neighbors to help meet community needs according to their individual abilities, their personal values, and their moral conscience. This inherent need for voluntary community assistance to support the public services in colonial America also encouraged the leaders of those communities to develop ways to encourage their constituents to provide that needed support.

The first fundraising efforts in colonial America were focused on the church, but as secular agencies and services also emerged, an effort was needed to reach out beyond the tithing habits of a local congregation. One of the first recorded fundraising efforts in the colonies involves three trustees of Harvard University in 1641. Harvard at that time was facing a fiscal deficit. To meet this gap, three trustees were sent back to England to lobby potential wealthy donors to make up this deficit and ensure that Harvard would continue. Their strategy was simple: Each of the three would seek one or several donors to make a donation and return to the colony of Massachusetts with the needed funds.

Unfortunately, this well-intentioned effort failed for reasons that are common in contemporary fundraising efforts. Only one of the three trustees carried out the task and returned with 500 pounds, less than the hoped-for amount. Of the other two, one decided to stay in England rather than return to the frontier, and the other was hanged (presumably not because he was soliciting contributions). Contemporary professional fundraisers would recognize that the failure of the Harvard fundraising effort was due not only to the vagaries of human nature but also to a misconception of how fundraising goals are successfully met—namely, needing to seek multiple levels of donations from a variety of sources.

The failure provides a contrast with late 18th-century fundraising guidelines presented by the man who is considered the "father of American philanthropy," Benjamin Franklin. In his 1784 autobiography, Franklin defines what he considers to be the method to successfully reach fundraising goals:

> In the first place, I advise you to apply to all those whom you know will give something; next, to those whom you are uncertain whether they will give anything or not, and show them the list of those who have given; and lastly, do not neglect those whom you are sure will give nothing, for in some of them you may be mistaken.[3]

In Franklin's advice we see the elements of what has become known as the traditional giving pyramid—varying levels of donors giving according to their personal inclination, involvement, and interest. As fundraising techniques became refined and codified over the past 200 years, these techniques have expanded, strategies for securing these gifts have become more sophisticated, and those executing those strategies have become more skilled. But the original precepts laid out by Benjamin Franklin remain valid. They lead to the first and most commonly understood manifestation of the traditional giving pyramid: the giving-level pyramid.

The Pyramid of Giving: Levels of Giving

The term *pyramid of giving* generally refers to the concept that a relatively small number of donors will give larger gifts to a fundraising effort whereas a majority of the remaining donors will give at lower levels. This application of the giving pyramid is also termed *proportionate giving* (Seymour, 1966/1999) and leads to the development of *gift tables* or *gift charts*. These planning and evaluation tools identify the number of gifts needed at each level and those specific prospects who are most likely to make those contributions. The pyramid of giving is probably most commonly associated with capital campaigns but can apply to meeting any fundraising goal.

The pyramid of giving concept is important because it emphasizes the role a few major gifts play in a successful fundraising effort. The term generically refers to these few major gifts being at the top of the pyramid, with progressively larger numbers of gifts at successively lower levels of the pyramid. The specific dispersal of these gifts along the pyramid can vary according to various formulae. One traditional premise is that to be successful, a fundraising effort needs one gift of a minimum of 10% of the total, although many contemporary commentators say that this top or leadership gift should be 15% or 20% of the total funding needed—and some say that it should even be higher. A second related formula is the concept that 80% of the total money raised will come from 20% of the donors—or some will now say 90% of the total should come from 10% of the donors. A third approach, also related to the first two, is the *principle of thirds*: that one third of funding will come from the top 10 donors; one third from the next 100 donors; and one third from the rest. Regardless of the specific numbers, the giving pyramid emphasizes the importance of major gifts to reach a fundraising goal. But it also acknowledges the need for smaller and medium-level gifts. This use of the giving pyramid is derived from traditional fundraising campaign structures, but it is also grounded in economic theory.

Background of the Giving Pyramid: The Pareto Principle and the 80/20 Rule

The giving pyramid is based in an economic theory first developed in 1906 by the Italian economist Vilfredo Pareto. Pareto noted the economic inequality that existed in his country and developed a mathematical formula that could describe this phenomenon. His formula led to the observation that 20% of the people of Italy owned 80% of its wealth. In the 1940s, Dr. Joseph Juran, a pioneer in quality management, noted that in organizations, 20% of the defects caused 80% of the problems. He termed this phenomenon the “vital few and the trivial many.” In an effort to apply his observation to a broader field of work, Juran (inaccurately) attributed to Pareto what became known as the 80/20 rule. Despite the misattribution, the 80/20 rule has since been known as Pareto’s Principle.

The value of this guideline is that it reminds managers in all fields to center attention on the 20% that matters, that is, to focus limited resources on those areas that have the most chance to yield an efficient and successful outcome. This does not also imply that the remaining 80% of the time—or prospects—are unimportant. It simply acknowledges that certain activities are more critical for success than others. The 80/20 definition is not a precise calculation, and many professional fundraisers have advocated a 90/10 or a 70/30 guideline or other combinations. Regardless of the theoretical threshold used, what is important is recognizing that a degree of clumping is found in most areas of life—including fundraising—and not all prospects are equal.

Elements of the Giving Pyramid

The pyramid of giving is a useful tool to plan for future fundraising needs as well as to evaluate and describe past funding results. The giving pyramid can also be helpful to guide current prospect strategies and evaluate an ongoing program’s fundraising strengths and weaknesses. One example of this pyramid is shown in Figure 51.1.

The simplest and most straightforward giving pyramid is made up of 10 levels, with each level yielding 10% of

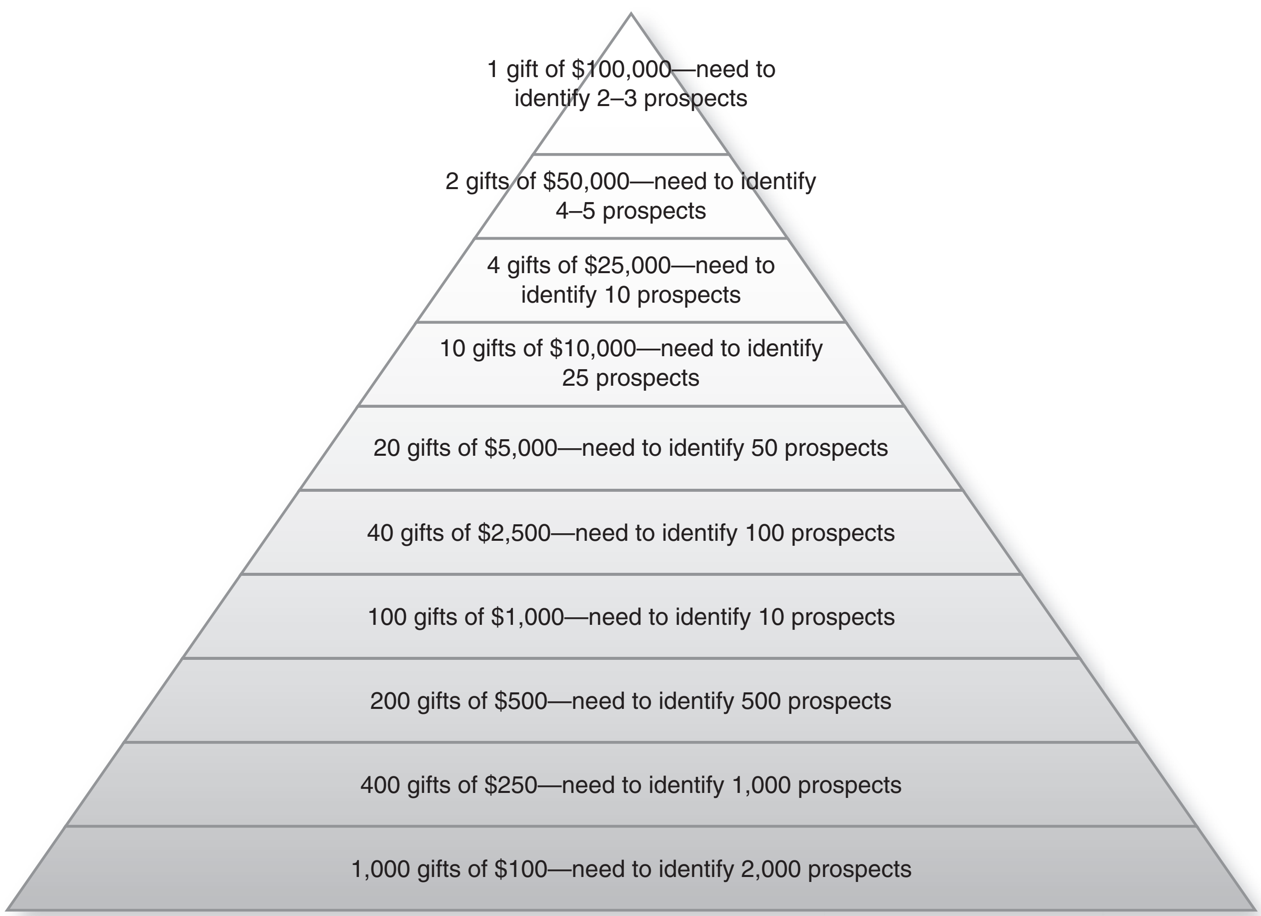

Figure 51.1 Example of Gift Pyramid to Raise $1 Million

the total. The first level is one gift of 10% of the goal; the second level is two gifts equaling 5% of the total each; the third level is four gifts of 2.5% of the goal; and so on to the tenth level, which is generally identified as multiple gifts at a small level (perhaps at .01% of the goal). As an example of using this approach, to reach a $1 million goal, one gift of a minimum of 10% is needed—or $100,000. At the lower end of the pyramid, 1,000 gifts of $100 each are needed to make up the goal for that level (see Figure 51.1). It should be emphasized that the giving pyramid is simply a model. In practice, the lower levels rarely involve effective appeals to increasingly large numbers of potential donors. This is why the focus of executing the pyramid should focus on making strong approaches to the prospects at the top of the pyramid.

Once the number of needed gifts at each level is identified, the goals can be placed into a gift chart that simply identifies each of the gifts at those levels for ongoing evaluation of fundraising progress.

The Need for Major Gifts

The major gift prospects are generally those prospects in the top three or four levels of the pyramid. The prospects in the very top level are generally referred to as leadership prospects. These leadership prospects are the first prospects approached, and securing their involvement at a sufficient level is critical to ensure that other smaller levels of gifts will be secured. Many donors determine what they will give depending on what others have done before them. If the highest leadership gift is below the top level of donation needed (say, only at 5% of the total, rather than 10%), then those who come behind them are more apt to give at a proportionally lower level. This failure to secure a high enough leadership gift means the success of the project becomes much more difficult if not highly improbable. In most situations, if initial efforts to secure these major donations are not successful, it becomes more difficult to reach a desired fundraising goal within a limited period of time. While it is debated how precisely this pyramid needs to be applied, major gifts are a key to success in a fund development effort.

Determining How to Approach the Major Prospects

Because the major prospects are most critical to a campaign's success, an organization should begin its efforts with those prospects. It can then focus its attention and time on those specific prospects, identifying individuals who have the best relationship with those prospects. If those individuals are already involved with the project, they are in the strongest position to make a successful call with the major prospect. Another traditional fundraising adage is that an organization never runs out of prospects but rather is limited by the number of people who are willing and able to effectively contact those prospects. These major prospect approaches generally need to be done on a personal basis, ideally on a peer-to-peer basis. Board members and other key volunteers or current donors initiate these personal contacts, supported by the paid staff and executive leadership of the nonprofit organization.

Those who are considered good prospects must satisfy four criteria. First, they need to have sufficient money to give at the required level. Second, they need to have a history of giving at that level. Giving is a habit, and if people have not developed or inherited that habit, they are probably not good prospects for a major gift at this time. The third aspect is to determine whether the prospect might make a contribution at that level to the organization seeking donations. This means identifying whether the prospect has some kind of interest in the mission and vision of the organization. Just because people are generous to their church or university does not mean they will have an interest in supporting a local opera company or homeless shelter. The final element to determine is whether the organization has someone who can "open the door" with that prospect: that is, someone who knows the individual well enough to make an appointment to see them and to solicit their willingness to consider the request. Many nonprofit organizations will conduct a *feasibility study* before launching a campaign, precisely to identify these major prospects and to determine the actual interest these potential donors might have in supporting their effort.

The Role of Smaller Gifts

The giving pyramid also notes the importance smaller gifts play in achieving a successful fundraising goal. Beyond "filling in the gift chart" to make up for financial gaps from major gifts, efforts to secure smaller gifts provide visibility for the needs of the organization among their constituency. Many of the techniques associated with smaller gifts such as mailings, recognition activities, and special events rely on broader public awareness rather than on the personal, one-on-one efforts used to secure the larger gifts. In many cases, having sufficient broad public involvement in a fundraising project is an important motivation for a major prospect to decide what level of gift to make or even whether to participate at all.

The Gift Pyramid as a Planning and Evaluation Tool

The primary use of a pyramid of giving or a gift chart is to ensure that the organization is constructing its fundraising plan to contact a sufficient number of prospects at the right levels. It essentially helps an organization determine what levels of gifts are needed to reach a defined goal, how many gifts are needed at each of those levels, and perhaps most important, the number of prospects that should be approached at those levels. Once the gift chart is used to determine these numbers, the next steps are to identify specific prospects that might fall into each level and design strategies to approach those prospects. As mentioned previously, many organizations will engage in a *feasibility study* before undertaking a fundraising effort. A *feasibility study* tests a gift chart to specifically determine if sufficient numbers of prospects might reasonably be expected to make contributions to the identified organization and the current project of that organization at required levels—especially at the higher leadership and major gift levels. It then explores whether those prospects at the top of the gift pyramid might actually have the interest in making such a major gift. This inclination is investigated through personal confidential interviews with knowledgeable board members, donors, and community members—and, in some cases, with those prospective major donors themselves. An organization may choose to conduct such a study itself using its own staff and board, with varying degrees of formality or informality. It also may be conducted by an outside agency to help ensure objectivity as well as confidentiality as they attempt to identify the inclination of identified major donors to participate in a given effort. The latter is especially helpful if an organization has limited fundraising experience and history or if there is a question whether sufficient support exists even to contemplate or expect support.

Using the Giving Pyramid in Fundraising Appeals

Role of a Giving Pyramid in a Capital Campaign

The most obvious example of the use of a fundraising pyramid is found in a capital campaign when a defined goal for a specific purpose needs to be reached in a limited period of time. By developing the giving pyramid, the organization identifies those prospects that are most critical for success and can use this to focus their initial efforts at the top of the pyramid, namely, those major prospects whose involvement is most important. It is a traditional fundraising adage that when a campaign fails, it is not because there was a failure to generate enough small donations, but rather because an insufficient number of major donors responded—or those who did gave at lower levels than were needed.

The need to start at the top of the pyramid is translated into what is a typical fundraising strategy: to divide the time period of the campaign into essentially three phases. The first phase focuses on the top two to four levels of the pyramid. These levels represent 20% of the prospects and will yield 80% of the goal, in accord to the Pareto Principle. This first phase—many times referred to as "the quiet phase"—involves making initial contact with those major prospects to determine their initial interest and willingness to participate. It is not always necessary that the actual gift or commitment is received at this point of the campaign, but it is important that there is a degree of surety that each of these prospects is a viable prospect. Only after these major contacts have been made can a decision be made whether to proceed to the second level of the campaign, the public phase. During the second phase, more broad-based support is sought and a campaign's goal is usually reached. The third and final phase of a campaign involves recognition and cleanup of the remaining proposals that have not been finalized.

Role of a Giving Pyramid in an Annual Fundraising Program

The giving pyramid is also applicable in developing the annual giving strategy an organization may need to meet ongoing operational financial needs. Organizations may overlook the usefulness of the giving pyramid in annual giving programs such as membership in giving societies (e.g., honoring those donors giving at $100 a year or other levels) or attendance at special events. Sometimes the larger gifts in annual fundraising programs are obscured because they may be given as a sponsorship of an event, as a planned gift, or as an endowment gift. Whatever the level of donations needed or the types of appeals used, the Pareto Principle still holds: 80% of the (annual) funding will come in from 20% of the donors (at the most). An effective annual giving program acknowledges that reality and constructs its giving societies, appeal letters, or special events to provide opportunities for larger gifts as well as minimum levels.

Using the Giving Pyramid for Planning Fundraising Strategy

An important use of the giving pyramid is that it identifies the number of *prospects* that are needed at each level to effectively reach the *donor* goal for that level. The simplest rule of thumb is that, for each identified level, the number of prospects should be three times the required number of eventual donors. Once the needed number of prospects is determined, the next step is to identify each of these prospects and then to develop strategies to approach each of those prospects.

This process is important because not all prospects will respond positively to an appeal. Or some prospects may give, but at a lower level than was anticipated. Also, human nature being what it is, not all solicitors who are assigned prospects will actually make "the call," a lesson that the Harvard trustees in 1641 learned the hard way when only one of the three fundraisers actually returned from England with a contribution! Contemporary fundraising professionals learn to anticipate this. By identifying three times the number of prospects than are actually needed and strategizing how to secure contributions from all prospects, the process helps ensure success. And if all prospect calls are effectively made on a timely basis, it will result in raising too much money too quickly—a desirable problem to have.

Using the Giving Pyramid to Evaluate the Fundraising Program

The giving pyramid is also useful in evaluating past fundraising efforts. It can help determine why past goals were (or were not) reached and identify those primary donors whose gifts have been keys to attaining previous goals. In many cases, these past major donors are also key prospects for future goals. In other cases, their families, community constituents, or business associates may be future supporters. At the least, acknowledging the importance of major donors to past success helps provide an example to future major donors of how important their involvement will be to meeting needs.

Other evaluations can be made to determine how many of the identified prospects were contacted and how well they responded, which can help evaluate the quality of the prospect identification process, the effectiveness of volunteers and staff in executing the original process, and the relative level of community interest in the organization and its projects. All of these factors help critique past efforts and set more realistic goals for the future—either at a higher or lower level.

Using the Giving Pyramid to Improve Fundraising Effectiveness

Evaluating the past giving programs using the giving pyramid can help identify weaknesses and strengths in current fundraising programs. If volunteers failed to make contacts, it may be necessary to expand the number of volunteers involved with future efforts, to involve volunteers who are more able to make contacts with potential major prospects, to improve training programs for the volunteers, or to direct staff to encourage completion of assigned volunteer contacts. A lack of major gifts may mean that the organization needs to better position its needs and recognition opportunities to appeal to major donors. Or, conversely, if a past failure was due to a lack of smaller gifts, this can indicate a weakness in the efforts to involve a wider constituency. Even an evaluation of a successful effort (i.e., one that reached its dollar goals) may reveal some of these weaknesses, which can help strengthen the existing fundraising efforts and help the organization anticipate an even greater level of success in the future.

Contemporary Visions of the Giving Pyramid

The basic concepts of the giving pyramid are grounded in practices and theories developed 100 or even 200 years ago. While most of these premises are still very relevant, improved techniques, new experiences, and the changing environment of our contemporary world have helped refine the use and application of the giving pyramid. The most obvious change is the increased percentage accounted for by the largest gifts and the number of major gifts needed to reach a desired goal. The traditional percentage has been one gift of 10% of the goal or one third of the total should come from 20% of the gifts. Contemporary fundraisers will usually note that the top gift should be targeted at 15%, 20%, or even 25% of the goal—and that one third of the total should come from 10% or even 5% of the donors. Part of this increased emphasis on major gifts to reach a goal is due to efforts to limit fundraising costs: Larger gifts are more efficient to cultivate and solicit as their payoff is more significant. Also, the increased number of nonprofit organizations raising money in a given community has resulted in more competition for volunteers who are willing and able to make fundraising approaches as well as more requests to the lower levels of donors. Some of the contemporary concepts of philanthropy, such as venture philanthropy, have redirected the involvement of major donors to projects that are self-initiated rather than participation in plans developed by community nonprofit organizations. The growing presence of community foundations has the potential to channel many larger donors into endowment types of giving that could limit their ability to also make current gifts. And as more nonprofit organizations develop ongoing fund development programs, they start to rely less on periodic campaigns to generate support. Their efforts instead start to resemble those projects of colleges and universities with longer term projects, which may incorporate annual giving, planned giving, special needs, and capital requests into a larger, more all-encompassing fund development program. But despite some of the changes in the contemporary nonprofit environment, the Pareto Principle and the 80/20 rule still hold. In fact, it could be said the shift toward major gifts in the modern world also is a shift in Pareto's rule and that a growing and more complex world has meant that success in any field relies on a smaller number of supporters, or resources, or time having an increased influence on any specific project outcome.

The Pyramid of Giving: Methods of Giving

The second use of the term *pyramid of giving* refers to the variety of giving methods that a program offers. This variety has a programmatic application to individual donors with the theory that donors become involved with simple, smaller levels of giving and then progress to higher and more complex types of donations. In this case, the theory is that donors may get involved with a small response to an appeal or attendance at a special event, but then once involved, they can be cultivated to become members of an annual giving society, to make a larger gift to a campaign, to give an even larger gift to a special project of the organization, and eventually to make a planned gift to the organization. The last step on this pyramid is that a donor makes a bequest or establishes a trust in their will to provide support for the organization after they have died.

It should be emphasized that this notion of a donor progressing upward through the pyramid of giving methods is more anecdotal than experimentally proven. And there are many individual donors who have indeed sought multiple ways to give as they have become more cultivated and involved with a nonprofit organization. However, it is also possible and likely that the actual number of donors who reflect such advancement is very small. As a comprehensive strategy with broad application, the progress of a donor through the *pyramid of giving methods* may more properly reflect a journey myth worthy of Dante or Bunyan than a fact that has been proven to actually occur. In fact, it is more likely that donors who make a first gift to an organization at one level will remain at or near that level in the future. But regardless of proof, the importance of the pyramid of giving methods is that a strong comprehensive fund development program should include a variety of methods, continually promoted to potential donors. Whether or not an individual donor progresses through the pyramid, a variety of available methods provides donors with different interests and resources the opportunity to become involved with an organization in a way that best fit their needs. The end result is that having the giving method pyramid in place positions the nonprofit organization to maximize its fundraising income and results in increased support for an organization's programs.

Description of the Pyramid of Giving Methods

The variety of giving methods offered by the fundraising program of a nonprofit organization provides different individuals and organizations an opportunity to participate in a nonprofit organization's programs in ways that best meet their own needs. Individuals may be looking for their donations to give them an opportunity to meet new people for personal or business contacts. Such people may be interested in attending recognition events for a giving society. A different individual may have a passion for the organization as a whole and want to ensure its future existence through a planned gift. Or another individual may have only a casual interest in the organization and its cause but is inclined to give a small annual donation when a year-end letter arrives. A business may be seeking better exposure for its services or wish to identify itself with a given organization to better appeal to customers. It may prefer sponsoring an event rather than making a relatively quiet general donation. Another business may be led by an individual with an interest in a specific program of the nonprofit, who would prefer making a corporate contribution toward that service, providing either part or all of the funding. Multiple other scenarios are possible to identify, but the primary point of these examples is that each requires a different method of giving. The fundraising program should provide those different methods—so individuals and businesses can give on their terms.

The reason this pyramid is important for a nonprofit organization is that it provides a reminder of the opportunities it is offering and how well it is promoting those different methods and whether it is targeting those constituents most likely to respond.

Elements of the Giving Methods Pyramid

There are various ways to classify these giving methods. The broadest categories are: special events, individual appeals, annual giving societies, major or special gifts, and planned gifts. Each of these broad categories has specific techniques that some nonprofits may consider separate categories in themselves, depending on the emphasis they place on them. Within special events might be sponsorships, individual tickets, tables or group tickets, and other categories to encourage people to participate a level above that of the basic ticket. Planned gifts may include, in addition to simple bequests (the most common form of planned gifts), various trust instruments, gifts of life insurance, or gifts of real property. But the broad categories illustrated in Figure 51.2 shows how these methods relate as a giving pyramid.

The reason these giving methods may be considered a pyramid has to do with the number of donors that may fall into the various levels. In most organizations, the number of planned gift donors is fewer than those who give to meet current levels or attend special events. Some donors may move up this pyramid, and without expecting that each donor will do so, an organization can use this as a basis for focusing its fundraising efforts. When looking for potential major gift prospects, look at smaller donors who may have

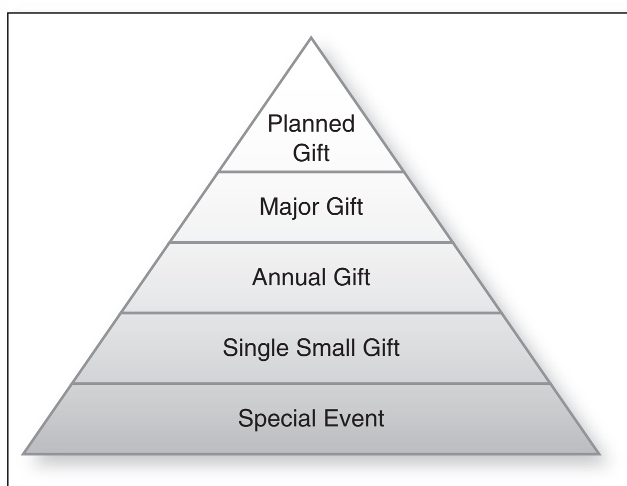

Figure 51.2 Donation Method Pyramid

the ability to give at higher levels. In determining to whom the nonprofit might want to send planned giving information, a logical group includes individuals who have been supporting the organization on an annual basis or for special purposes.

Using the Giving Methods Pyramid for Planning

The primary use of the *giving methods pyramid* is to help planning in two areas. The first is to ensure that the fundraising planning process includes promotion of all the general methods of giving during a defined period. It is easy to focus efforts into one or two areas and forget about other areas that may not have the highest current priority but are important to the organization's long-term viability. The second area is to help focus the promotion of the different giving opportunities on those prospects who have already shown an interest in supporting one aspect of the organization and may be able to be involved in other areas. As an example, one of the roles a good special event plays is it can involve new people with the organization. After an event occurs, it's important that those who attended are cultivated for additional, more involving types of giving, such as trying to encourage them to apply to an appeal or to become a member of a giving society.

Evaluating the Giving Methods Pyramid

Evaluating the *giving methods pyramid* can also help determine the relative breadth of the types of methods of a fund development effort as well as whether each giving method is cultivating the donors and prospects that are most needed by the comprehensive program. As an example, if one of the roles of a special event is to involve new donors, the special event should be evaluated as to whether new donors actually attended—or if the event simply relied on getting other current donors to attend for its success. In addition, if new donors are attending the event, determining how well they have been cultivated for other levels is an important step. An organization might also use the giving-method pyramid to evaluate how well the number of donors participating in each method has grown over the past year.

Improving the Effectiveness of the Pyramid of Giving Methods

The greatest potential of the pyramid of giving model lies in its ability to identify the best prospects for one level by focusing the cultivation efforts for that level on donors in the level below that one. For example, annual donors are one of the first groups to look at when seeking additional major donor prospects. They also are a primary target audience for opportunities to make major or special gifts. Improving ways to connect the various levels enables the giving pyramid to become a valuable tool for strengthening a fund development program. Another way to improve the pyramid of giving is to combine the giving method pyramid with the giving-level pyramid. A logical relationship exists between the two pyramids. When an organization compares the donors within each level, it can identify potential donor opportunities they might otherwise overlook. This is especially true when comparing prospects from the giving-level pyramid to lower-level donor categories in the giving method pyramid. For example, if an individual is identified as a viable major gift prospect on the giving-level pyramid but is now among the special event donors on the methods pyramid, he or she becomes a strong candidate to become a single appeal donor or even better an annual donor in one of the giving societies. Donors who can be involved at this level are in a much stronger position to be cultivated for a future larger gift.

A third pyramid of giving may also exist: the *pyramid of giving opportunities*. This is actually more a spectrum of categories of organizational needs where donations may flow. These include gifts for general support, for special purposes, for capital needs, and for endowment. In some cases, these may represent less needs presented to donors than organizational decisions as to where to put incoming contributions. However, thinking of these as a pyramid may be helpful to organizational leadership, as usually donations for general support have the most flexibility. Knowing where the proportions of gifts are placed, and seeking to maximize what might be considered the lowest level (i.e., general support), may seem counterintuitive. However, in the long and short run, maximizing general support gifts should be the goal of most programs. (It should be noted that this is true, even for those organizations seeking to build an endowment; if general support gifts are maximized, donations not otherwise needed can be placed into an unrestricted endowment. The advantage of general support donations is their flexibility, as opposed to a gift that has narrow restrictions.)

Alternatives to the Giving Pyramid: Does It Always Exist?

As nonprofit organization fundraising efforts increasingly concentrate efforts on larger gifts, the traditional pyramid begins to flatten. This can yield short-term benefits, as cultivating major gift donors is seen to be much more cost-effective than cultivating smaller gifts. However, in the long term, this can be harmful to an organization as the smaller donors are helping build the prospect base for future major gifts. Interestingly, it can be more unusual to see the reverse situation: where an organization has a high number of smaller gifts but few larger ones. This is because if an organization is effective in gathering a large number of smaller donors, those who have the ability to make larger gifts will tend to rise to a higher level. An organization with many small gifts but very few major ones can take the fairly simple approach of presenting major gift opportunities to their large donor base. A program supported by a few large gifts may find it more difficult to cultivate smaller donors, as their external constituency and the internal orientation of the organization have developed a culture that is based on not needing smaller donations. Changing this type of culture to attract a large number of donors can be a longer process than might be thought.

As organizations start to become more aware of potentially attracting gifts labeled venture philanthropy and transformational gifts, this reliance on a few large donations begins to become evident. Such reliance creates vulnerability for the organization and puts it in the situation of needing to make organizational decisions based on shifting donor priorities that may not be in the long-term interest of the organization. Having a broader base of varied support allows organizational leadership the flexibility to develop programs and plans based on the need of the constituency it serves as opposed to being subject to major donor impulses.

Summary

Understanding the concepts behind the giving pyramids helps nonprofit leadership to encourage their fund development staff to seek a broad range of gifts and to evaluate their efforts on maintaining and strengthening this broad range as opposed to simply looking at the bottom line of total donations generated. Increasing the number of gifts is as critical to building a strong future as the overall level of current gifts. The temptation is for a nonprofit CEO or board member to bestow high praise for a single large gift but to perhaps overlook or even denigrate a special event that results in a 50% rise in new donors. Understanding the pyramids of giving concepts can ensure that nonprofit leadership hold fund development staff responsible for building the entire pyramid, not only the top levels, which provide the resources for future organizational growth and financial stability.

Notes

1. These are the primary categories of donation and fundraising techniques. Further information on the elements of fundraising is available from numerous sources, primarily written to give guid ance to practitioners and other nonprofit leaders. These include Grace (2005), Rosso (2003), Weinstein and Hartsook (2002), Greenfield (1999), and Kelley (1998).

2. For a comprehensive historic view of fundraising in the United States, see Cutlip (1990).

3. From the *Autobiography of Benjamin Franklin,* published in 1784.

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GRANTWRITING AND LEADERSHIP IN WORKING WITH FOUNDATIONS AND GOVERNMENT

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Some think that getting grants involves simply knowing how to identify which grants are available and then being able to write the proposal in the right way to access those funds. Grants, in this scenario, are thought of as a magical treasure trove, pots of money lying unclaimed, simply waiting for someone to discover their location and utter the correct words that will unlock their riches.

The realities are far different. There are far more requests for grants than there are funds available. The sources of these grants are well known, and that information is readily available to any organization wishing to seek them out. Whether the source is a private foundation or a governmental agency, the number of viable and worthy proposals submitted usually vastly exceeds the funds available. For those who are fortunate enough to eventually receive a grant, it is generally the result of enduring an arduous process of detailed homework, multiple submissions, numerous rewrites, and frequent rejections. Organizations may need to be restructured or programs changed to qualify for the grants. And once a grant is received, the granting agency or foundation may require seemingly endless program evaluations, interim updates, and final reports.

Despite the drawbacks, pursuing foundation and government grants can be rewarding. It can also be a valuable maturing process for a young organization or an important step in the growth of a more experienced organization. The financial, planning, evaluation, and record-keeping processes required by many grant agencies can help any organization advance its own business practices. The prestige and credibility that flows from the endorsement associated with this kind of support can raise the prestige of the organization in the eyes of its constituency. A grant can encourage other levels of support and attract new constituent involvement—and pay dividends that range from attracting more prestigious board members to securing better-trained staff to increasing the number of constituents the organization serves.

To attract these grants takes more than a skilled grantwriter or a diligent grant researcher. It also requires organizational leadership that effectively positions the organization to partner with those same foundation or governmental resources. To seek a grant is to pursue a collaborator—with all of the advantages and challenges that come from any partnership.

What Are Grants?

Grants are simply contributions of money made by a private foundation or government agency to an organization that delivers a program or serves a public that is of interest to that foundation or agency. Although some grants may be for general operating support, most grants are made for specific programs or purposes that serve a defined area of primary interest to the grantor. The grantor sees the grantee as a means to carry out those purposes that the grantor deems most critical.

This chapter concentrates on private foundation grants and the particular role that nonprofit staff and board leadership play in successfully attracting and executing private grant funding. Two other types of grants that will be mentioned but not emphasized are corporate grants and government grants. Typically, corporate foundations give like any business, based on their business interests and supporting the local presence of the corporation. Seeking corporate grants may closely resemble a sales call, which emphasizes the benefits to them of making a grant to you. The presentation may also stress local relationships, reflecting community values that mirror private motivations. Government grants are also not a focus of this chapter but are briefly noted where their approaches resemble private foundation grants and require similar nonprofit leadership strategies. It should be acknowledged that successfully securing government grants can depend as much on political considerations and relationships as it can on the merits of the proposal and project (Government Information Service, 2003).[1]

Foundations and Grants: An Overview

Before addressing the leadership issues important to the grant process, it's important to understand the grantmaking world, including the definition of a foundation, the scope of the foundation world in the United States, the types of foundations that exist, and the types of grants they make.

What Is a Foundation?

Quite simply, a foundation is an incorporated nonprofit 501(c)(3) organization, similar to the nonprofit organizations it generally helps support. However, instead of conducting programs or providing direct services to a constituency, a foundation manages a sum of money, often endowed by a donor, and makes financial grants to other nonprofit organizations based on the earnings from that money.[2] In this sense, a foundation operates like a private trust and may even be called a trust. Every foundation has a board of trustees who are ultimately responsible for determining the types of organizations and grants that are made. Like any nonprofit organization, a foundation generally has a defined social mission to fulfill. That mission may be very specifically defined by its founding donors or articles of incorporation, or it may be very broad and left to the discretion of its board of trustees.

A private foundation can be distinguished from other nonprofit organizations because it is required by law to pay out a minimum of 5% of its assets annually. This 5% figure usually represents the grants disbursed but also may include administrative costs. Foundations are not limited to giving out 5%, and many foundations will decide to pay out at a higher rate. In some cases, this higher payout is linked to years when investments have been particularly strong. In other cases, a higher payout rate may reflect a decision by the board of trustees—or even a stated provision of the original donor—that a portion of the principal as well as its earnings should be distributed each year. In other cases, there is a stipulation that the foundation should "spend out" its entire principal during a defined time and go out of existence.[3] Not all types of foundations have a similar payout stipulation. For example, community foundations have a different legal status than private foundations and are not required to pay out at a 5% rate.

The Scope of the Foundation Sector

According to the Foundation Center,[4] as of 2007 there were more than 71,000 foundations in the United States. Nearly 90% (63,000) of these foundations are considered private foundations. Of the remaining 10%, 6% of all foundations are operating foundations (4,700), 3% are corporate foundations (2,600), and about 1% are community foundations (700).

Foundations in 2007 distributed over $38 billion in grants, approximately 12% of the $306.39 billion total philanthropy in the United States (Giving USA Foundation, 2008). Private independent foundations made about 70% of those grants; corporate foundations and operating foundations each granted about 11% of the total; and community foundations were responsible for the remaining 8% of foundation grants. In 2007, the Foundation Center surveyed roughly 21,000 private and community foundations, finding that most foundations limit their giving to local charities. Only about 4,200 foundations (less than 6% of all foundations) give nationally or internationally. These tend to be the very largest foundations, or corporate foundations that operate nationally or internationally.

All private foundations are required to file IRS Form 990-PF, a document that is available to the public (Foundation Center, 2010). About 5% or 3,700 foundations issue statements of their program interests or grant guidelines, and about 1,600 foundations (2%) publish annual or biennial reports. These are mainly the larger foundations with operational staff.

Private Foundations

Some think that foundations have significant resources from which to make grants to public charities and other types of nonprofit organizations. This is not always true. Private foundations make up a majority of foundations; 90% of them are relatively small—having assets of less than $10 million and 67% have assets of less than $1 million. This means that two thirds of independent foundations (or 60% of all foundations) are required to pay out less than $50,000 per year. Another 27% of private foundations (24% of all foundations) have assets between $1 million and $10 million, meaning their annual payout requirement is less than $500,000.

While the media and public attention may focus on the large foundations that include names like Gates, Carnegie, Rockefeller, and Ford, in reality, these larger, more formal foundations are the exceptions in the grantmaking world. Only 3,500 foundations (less than 5%) are large enough to employ any staff, and only 750 (about 1% of all foundations) have more than five staff members. Although these 750 foundations may control significant assets, most are also focused on very specific program initiatives that have regional, national, or international implications. Few of these large foundations are viable prospects for most local, community-based nonprofit programs.

Family Foundations

Well over 80% of the private foundations are termed family foundations.[5] Family foundations are also the fastest growing segment of the foundation sector. The term *family foundation* is not a legal distinction, and the exact number is not always well defined. A family foundation designation generally refers to a foundation that has the original donor's name in the foundation name, has the active involvement of the living donor, or has at least three family members on the board of trustees. Many family foundations are small, locally focused, and informal and may be some of the better prospects for local, community-based nonprofits. Their giving patterns tend to reflect the interests of their board of trustees, and many family foundations make contributions in ways that are similar to individual giving.

Community Foundations

The assets of community foundations are generally not drawn from an individual donor but instead provide a way for a large number of donors in a given geographic area to address their charitable interests.[6] They are not governed by the same 5% payout rule as private foundations, however, they are required to raise additional money annually. They also generally have a very defined geographic focus for their grantmaking, restricted to supporting organizations within a specific community, city, or county. A primary emphasis for most community foundations is to encourage donors either to invest assets to be pooled with other community assets or to provide a vehicle to operate their own endowment or trust funds. Donors are able to direct the earnings from these funds to address specific or general community needs, as they wish. A community foundation may also develop its own general purpose trust or endowment. In the case of general funds, the foundation's trustees determine the most appropriate disbursement for the benefit of the community.

Because many community foundations may serve as a repository for individual funds, they vary in the amount of discretion their board has to determine grant recipients. The ability to and the process of seeking grants from community foundations may also vary depending on the local situation.

Corporate Foundations

A corporate foundation is generally established by a business to formalize and centralize its donation function.[7] Even though a corporate foundation is a separate nonprofit corporation, most corporate foundations give in ways that reflect and support the business interests of the corporation. This generally means that giving by corporate foundations is focused on communities where the business has significant operations or other business interests. Most corporate foundation giving is based on profits generated by the business in a given year rather than accumulated assets, and they may not have significant assets and related payout requirements. In these instances, they serve as pass-through organizations for the funds available in a given year from the business for philanthropic purposes. Frequently, employees are also involved in the decision-making process, or the corporate foundation may support employee interests by matching individual employee donations.

A nonprofit organization should determine which of these various categories of private foundations might be the most viable prospects for their situation. As foundation prospects are identified, it is important to know the types of grants the foundations give, as well as their interests, their origins, and their decision processes—and how all these may affect the grant proposal. In short, it is vital for organizations to do their homework and determine that any single grant request is appropriate for the organization seeking support as well as for the granting organization.

Government Grants

Nonprofit entities may also want to investigate grants that are available from local, county, state, and national governmental agencies. The funds available for specific projects can be considerable, and many nonprofit organizations—especially social service agencies—may rely on these grants for their existence as well as ongoing operations. It should be recognized that when any governmental agency makes grants available to nonprofit organizations, the agencies tend to view these grants as a form of contracting. Rather than directly providing certain services, it is more cost-effective for the agency to make funding available to existing nonprofit organizations that offer this service. The process used to identify and apply for these grants varies depending on the level of government and the type of agency offering the grant. In many cases, it is very similar to the process for foundation grants, although it may potentially involve a more detailed level of paperwork and oversight.

For nonprofit leadership, the decision to apply for grants from any governmental entity means entering into a partnership with that level of the public sector. Among the possible advantages to this type of partnership is access to potentially lucrative funding streams. But nonprofit leaders should also be aware of disadvantages, including becoming identified with specific political entities and officials, potentially discouraging private funders, and developing reliance on funding sources that may change with political changes.

Types of Grants

All foundations are not created equal—and neither are the grants they make. The most desired grant is generally one that is a specific cash amount given for general support. However, this type of grant is not always what a foundation chooses to give and may even be an exception. Table 52.1 outlines the various types of grants that foundations or government entities might be inclined to make.

As leaders of a nonprofit organization begin to identify potential grant sources, they usually need to first note the types of foundations located in their community, the types of grants those foundations give, and the various community and business relationships of the foundations' boards of trustees. These factors can be as important to successful grantseeking as the actual proposal writing and submission.

The Grantseeking Process: What Do Grantmakers Want?

Most foundations and other grantmakers want nonprofit organizations to seek funding from them.[8] Foundations have missions to accomplish and fields of interest that they support. But they can advance those interests only through the programs and services of nonprofit organizations organized for public benefit. Conversely, these foundations are not open checkbooks with unlimited money to spread around in whatever way they please. Various oversight agencies scrutinize their grantmaking activities, including the Internal Revenue Service, media, and various government and private policymakers and analysts. Foundations are formal businesses with public purposes, and their processes for determining how best to allocate their limited resources to improve society are deliberate and generally well thought out.

Foundations are potential partners for the nonprofit organization and require the same level of nurturing and attention as any partnership. As a collaborator, they want the nonprofit to understand their culture, mission, and needs as well as to effectively present their own needs to them. Nonprofit organizations that are successful at securing grants approach the relationship in a way that shows

Most grants fall into one of three categories:	
Program grants	For specific programs or services related to fields of interest
Capital grants	For a building project or equipment purchases
General support grants	For the general operations of the nonprofit
Two types of conditional grants, usually made as part of a campaign:	
Challenge grants	Will give the last dollars to a campaign, if the balance is raised
Matching grants	Will give a grant equal to another single or multiple gifts
Other types of grants that are less common but possible:	
Endowment grants	Seed money for the future of the organization, using only the interest from the grant for the designated purposes
Extended-term grants	Given over multiple years for a long-term project
Supplementary grants	An additional grant to a previously funded project
Exploratory or planning grants	Funding to develop a pilot project or new program[a]
Cooperative or collaborative grants	Funding for a project involving multiple partners
Loans to grantees	Temporary funding that needs to be paid back

Table 52.1 Types of Foundation Grants

[a]This may often be a good first step for a nonprofit organization to become involved with a major independent foundation.

how the nonprofit's programs match the foundation's mission. Successful grantees understand that the grantseeking process involves helping the grantmaker give them money to achieve their common mission.

Those seeking grants should also understand that grantors are interested in more than the program or project of the grantee. They also want to know how and why specific programs and approaches to programs work or don't work. Building evaluation criteria into the grant application is of critical interest to many grantors. By evaluating past and current grants, the foundation is better able to encourage future programs that might have broader social impact. In some cases, the individual grant project may actually be participating in a form of a social laboratory. Program evaluation is an important part of many grant application processes—with purposes that go far beyond judging the specific competence of the nonprofit organization itself.

Grants Research

The number one challenge for any nonprofit seeking grant funds is to do its homework. Publicly available information can help determine exactly which foundations are appropriate, what types of grants they give, the kinds of programs and organizations they support, and the levels of gifts that they will consider. Some sources will even list the specific types of requests they won't support. Foundations have become astute at recognizing those organizations that have targeted an appeal specifically to them as a result of good research—as opposed to those nonprofits that are "shotgunning" similar proposals to a wide variety of foundations, hoping one of them might hit. Good research helps ensure that the proposals are targeted to the proper grantmakers, but it does not guarantee success. Foundations are able to fund only a small number of viable proposals—not because other projects are not worthy but because almost every foundation receives many more appeals than they can possibly fund. However, knowing the basic criteria of successful proposals can help organizations favorably position themselves for funding consideration.

Many resources are available for training in grant research and grantwriting. If an organization feels it has a future need for grant funding, but its staff does not have an understanding of this area, it may be helpful to access one or more of these resources. Many local libraries, educational institutions, and other entities may offer classes or seminars in this area. National training programs also provide an array of services, from listing appropriate publications to web-based programs to on-site seminars and workshops.[9]

Writing the Grant Proposal

Most of the resources for writing grant proposals stress the technical aspects of the proposal, such as developing the budget or establishing evaluation criteria. Joel Orosz, in his 2000 book *The Insiders Guide to Grantmaking,* outlines many of the less technical criteria of a good proposal—from the perspective of the grantmaker. His "12 Characteristics of a Good Proposal" provides a helpful checklist for a nonprofit to use in proposal development.

1. *The idea is innovative:* Grantmakers are looking for new solutions to social problems and challenges. The more you can show that your project has this potential, the more likely you are to receive serious consideration for funding.
2. *The applicant has expertise:* Do you have the ability, background, and knowledge to execute the program? If so, be sure to emphasize that in the proposal. If not, outline how you intend to access that expertise. Orosz notes that it is important not only to convey your expertise but also to acknowledge your weaknesses. Knowing you understand your weaknesses is considered an asset by most grantors.
3. *Your homework has been done:* If you have not thoroughly researched the interests of the grantmaker as well as the background of the project you are undertaking, it raises the question whether you have the ability to execute the project itself.
4. *The project is done with (not to) those it is trying to help:* Is the project structured so the constituent population is involved with the program development and operation? Do you use input from that constituent population to evaluate the program?
5. *The applicant is other centered, not self centered:* Many nonprofit organizations are very aware of their own needs and may stress how a grant can help them. But the focus of any program needs to be on how the specific project and the nonprofit organization meet the needs of others. A good proposal focuses on helping others.
6. *The applicant will invest its own money in the project:* Grantseekers often overlook this aspect of a proposal. A grantmaker is interested in those other resources that will supplement their grant contributions from other donors as well as funding from the organization's assets. This helps assure a foundation that funding will be available after the project is completed and that the project is central to the mission and operation of the organization.
7. *The applicant is determined to do the project:* What if you don't get the grant? Will you still do the project (even if on a more limited basis or with a longer time frame)? Grantmakers are interested in the level of commitment and passion an organization has to a project a commitment that is not reliant on whether funding is forthcoming.
8. *There is a comprehensive approach:* This refers to how completely the project itself is envisioned and is integrated into the organization's other programs and services. The project should not simply be an appendage

to an organization's "main" programs but work that will help advance those programs. Project costs should also include expenses for overhead, marketing, ongoing evaluation, and project reevaluation and refinement.

9. *Collaboration will take place:* Grantmakers are concerned about nonprofit program duplication as well as how well nonprofits work with others in its community. Outlining how a project involves other partners and accesses additional resources outside of the organization are strong indications for grantmakers that a project is seen as worthy in the eyes of its community.

10. *There is a willingness to be evaluated:* Evaluation is a critical part of a grant process. Acknowledging it, not being defensive about it, and incorporating evaluation into a proposal shows a grantmaker your willingness to enter into a true partnership and that you understand the broader social role the project plays.

11. *The project will continue after funding has ceased:* Is the organization committed to the project for the future? Including operational plans for after the grant period specifying potential funding sources as well as program and expense items emphasizes your dedication to the project.

12. *The project has potential for broader impact:* This is one aspect of grantwriting that many nonprofits overlook. The willingness of a foundation to partner with you is motivated partially by the potential for your program to apply to broader social issues in and beyond your own community. The more your proposal provides the possibility of being an example for other agencies in other communities, the greater opportunity you have for funding.

Which Organizations Are Supported?

Grantmakers for Effective Organizations (www.geofunders.org) has identified key attributes of nonprofit organizations that are awarded grants. These characteristics may be evident in organizations that receive single grants, but they are especially prevalent in nonprofits that receive repeated grants and ongoing support from grantmakers. Seven attributes are especially important—and relate directly to the quality of nonprofit leadership.

1. *A healthy governance structure:* This means having a clearly delineated organizational chart and a well defined process for the organization to carry out the decisions of the board and the executive director. This assures grantmakers that the organization can effectively execute the project.

2. *A competent executive director:* The executive director is qualified, is actively involved in the project, and understands how the project integrates with the organization's other programs and activities.

3. *A sound financial management system:* Grantmakers are obviously concerned that an organization that receives their funding will remain financially viable into the future. They also are interested that their grant will be well managed and that the organization has adequate systems to track the potential outcomes of the grant project. Grantmakers are trying to enact change in society and are concerned that the moneys they distribute have their intended affect. Only organizations with strong financial policies and systems can provide that kind of evaluation.

4. *A workable human resources policy:* Employee policies of interest to grantmakers include oversight of (possibly excessive) executive pay, conflict of interest protections, and antidiscrimination in employment practices. This interest in human resources policies is not primarily to judge the nonprofit organization; it is to protect the foundation. When foundations enter into a grant partnership, they may find themselves affected by, associated with, or implicated in human resources problems of their grantees.

5. *A successful fund development strategy:* Any foundation is concerned that its support is not the sole source of funding for an organization. This concern goes beyond the immediate project and includes ensuring the entire organization is financially stable. A foundation grant should not be considered as providing the ongoing support for the project in the future. Only a strong fund development program can assure a grantmaker that a program its grant helps start will generate continual support after it is no longer involved.

6. *A clear consistent message:* Many organizations find their programs and missions are continually shifting. Sometimes, this is a normal evolution for a vibrant organization. In other cases, too much changeability could indicate an organization is not really certain of its own priorities. This can lead a foundation to question whether a program that is a priority for an organization at one point in time will be a priority in the future.

7. *A good program that advances the mission:* Foundations are not interested in funding "extra" programs of an organization that are not really part of its central mission. A foundation is looking for evidence that an organization is committed to the success of a funded project and that the grant will enable the organization to take a major step forward to strengthen its mission.

The above seven attributes emphasize the importance of organizational leadership in being able to attract grant support. One aspect of grantmaking that is becoming more critical in the grant process is evaluation. And it is evaluation that can raise the most concern for nonprofit leadership.

Grant Evaluation

External evaluation can be a source of organizational angst for nonprofit leaders. They can be apprehensive that an outside evaluation will not consider those aspects of the organization that are most important to the organization's primary constituency. In worst-case scenarios, there is a concern that an evaluation will be poorly done or completed by judges who do not have a knowledge of or interest in the organization's mission. An unfair evaluation can have lasting consequences for the image of the organization, the quality of all its programs—and the morale of its employees. The need for evaluation can even be an impediment to deciding to apply for a grant in the first place.

It's important that a nonprofit organization seeking a grant understand not only the reasons for and parameters of the evaluation process but also how this evaluation can serve as an organizational asset. One question a nonprofit should know before accepting (or possibly even applying for) a grant—is: How are program projects judged? Being able to anticipate that question can have a long-term effect on an organization as well as getting a current—and future—grant from the funder.

The purpose of an evaluation is simply so a grantmaker—and the nonprofit grantee—can determine if a funded program accomplished its intended objectives. In short: Did the grant do what it was supposed to do? The purpose of an evaluation is not so much to judge the quality of an organization as it is to identify those factors that can be applied to other future projects. The grantee should keep in mind that in the view of a grantmaker, the grantor is its partner in this project. If a program doesn't achieve the anticipated level of outcomes or desired kinds of results, the grantmaker shares in that deficiency. The grantor determined that the proposal had a good chance to accomplish its outcomes. An evaluation assesses not only the nonprofit grantee but the total grant partnership.

Four different types of evaluation involve different levels of external oversight.

Level 1: Program evaluation In most cases, this is an internal evaluation of the program by the grantee. This is probably the most common form of evaluation and primarily documents the actual outcomes of a program compared to the intended objectives identified in the original grant proposal. It primarily seeks to answer: Did the program achieve what the proposal intended?

Level 2: Program monitoring This refers to a level of oversight that a foundation might require during the program project. Such oversight might involve interim reports or perhaps even site visits by program officers (in the case of larger grantmakers). Program monitoring seeks to identify potential problems or needs for program changes as they occur, rather than after the project is complete. This is generally a way for both partners to work together during the project to uncover problems as they develop and to identify encouraging results and potentially beneficial mid project alterations.

Level 3: Accountability This level of evaluation identifies where, how, and why program successes were achieved; it helps grantmakers and grantees to understand those aspects that were less than successful. A foundation needs to determine those specific actions that are accountable for program success and failure to best determine how a project can be replicated in other locales in the future.

Level 4: External evaluation Some larger grantors will ask that an outside evaluator conduct the grant project evaluation. This evaluator may be part of a foundation's staff or may be an independent entity. Outside evaluation can be viewed as threatening to the nonprofit organization. However, this type of evaluation is not a judgment on the organization. It is rather an attempt by the foundation to fully understand the elements involved with a successful program. It is important to determine during the proposal process whether the costs involved with this type of evaluation are being borne by the grantor or will be paid by the grantee. If it is the latter, the evaluation costs should be built into the original grant request.

A key external evaluation criterion that is becoming more critical in the grant world is outcome and impact evaluation. Increasingly, to be considered successful, programs are expected not only to have a beneficial effect on the organization and its immediate clientele but also to make a measurable difference in how a problem affects an entire community. If a homeless shelter increases the number of homeless it cares for, but the total number of homeless sheltered in a community does not change, the program may not be ultimately successful. An inner-city arts program may increase the number of schools it serves, but if during the same time the total number of children exposed to arts programs declines, the impact for the community may be evaluated as negligible. This emphasis on broad community-wide impact is one reason collaborative efforts are increasingly emphasized by grantors: Only by working together across a community can individual organizations be assured that their efforts are making a difference for the broader society.

The Role of Leadership in Working With Foundation and Government Grants

Nonprofit leaders can encourage the grant-seeking process through their support of such traditional activities as providing training for grant researchers and grantwriters and assisting them in identifying projects with potential grant appeal. But more important, the entire leadership culture of the organization can have a profound effect on the ability of the nonprofit organization to attract and nurture grantmaker support. This concluding section summarizes some of those general leadership actions that can help a nonprofit with any type of grantmaking prospect. In addition, it details the types of steps that nonprofit leadership might take to encourage grants from particular grantmaking sources, including family foundations, corporate foundations, community foundations, and government grantors. For each area, a "key indicator" is identified that can help nonprofit leadership identify where improvements might need to be made.

General Ways Nonprofit Leadership Can Support All Grant Processes

There are four primary elements of a nonprofit organization's infrastructure that grantmakers emphasize:

> *An active governance structure* that demonstrates and encourages ongoing support, information, and involvement between the executive director and an engaged board of directors. Active management structures and processes should be in place that effectively enact and monitor program priorities throughout the organization's staff and volunteer network. *Key indicator:* Board and staff have cross involvement on active task forces that regularly address areas of primary organizational operation.
>
> *Effective financial management systems* that are able to efficiently plan and track organizational expenditures. These systems also should provide interim reports on program progress and meaningfully use financial information to evaluate individual program effectiveness and overall organizational progress. *Key indicator:* Frequent interim program financial data is conveyed to project level staff and volunteers to give continual feedback on program progress.
>
> *Visible and practical human resources policies* that comply with current standards. The organization's staff and board should treat these policies as an active part of the organization's operational structure and management concerns. *Key indicator:* Yearly, the board and staff evaluate current human resources policies and make revisions to ensure ongoing compliance and improvement.
>
> *A comprehensive, diverse, and growing fund development program* that is accessing and nurturing new sources of volunteer leadership and prospect interest while also strengthening current donor and constituent relationships. *Key indicator:* The number of development program volunteers, donors, and prospects is growing as well as levels of contributions.

The other aspect of organizational leadership that is essential to securing and managing grants is ensuring the organization's mission clearly defines and guides the ongoing programs of the nonprofit. The organization must have a mission statement, and understanding of that mission must be incorporated into all organizational practices. This especially includes any projects that are reliant on grant funding for their operation. These practices help ensure that all grant applications advance the nonprofit organization's primary purposes and are not simply programs added to an organization because funding may be available.

Each of these areas provides guidelines for organizational administrative actions and demonstrates the effectiveness of the leadership. Together, they provide a framework for assessing the general organizational readiness to effectively seek and manage effective grant-based projects. Leadership also plays an additional role as an organization seeks to approach and partner with specific types of grantmakers.

How Nonprofit Leadership Can Support Independent Private Foundation Grant Proposals

To attract regional and even national support for an organization, a nonprofit must fulfill its ongoing program mission and seek innovative solutions to core social and operational problems. In these situations, grantmakers may view the nonprofit organization as a laboratory for exploring approaches to service delivery that could have broader implication and application. When these types of efforts coincide with the purposes of those grantmakers, the organizations that demonstrate program innovations are particularly attractive for grantmaker support.

How Nonprofit Leadership Can Support Family Foundation Grant Proposals

The giving of many family foundations reflects the individual interests of the original donor, the family, and the other board members. Such foundations seek to perpetuate and improve the image and pursue the intentions of the original donors as well as the family as a whole. How extensively family members and other trustees of a family foundation are involved with the nonprofit's board, consulted on organizational decisions, and updated on program progress can encourage future support. The importance of public recognition of the contributions of family foundations varies according to each foundation, but it may be more important than the foundation board members think. Determining appropriate recognition deserves attention by nonprofit leadership as well as by development and marketing staff. Strong recognition can reinforce the message that the family foundation is an active partner of the organization, a relationship that can encourage future grant support.

How Nonprofit Leadership Can Support Corporate Foundation Grant Proposals

The more that proposals for corporate contributions can help the business meet its own business objectives, the more successful the proposals will be. A corporate proposal that improves a business's customer relations and strengthens its community image has an increased chance for success. Requests for corporate contributions become a proposal for a business partnership, whether seeking a contribution from the owner of a small business or requesting a grant from a formal corporate foundation. Also, the individual interests and involvement of corporate executives may significantly affect corporate decisions of which organizations to support as well as the extent of that support. Involving top corporate executives on boards and program committees can nurture these individual relationships as well as develop meaningful business partnerships.

How Nonprofit Leadership Can Support Community Foundation Grant Proposals

The extent that nonprofit organizations can access funds at community foundations varies. Many donor-directed funds held by community foundations may be restricted to specific types of programs or even defined organizations. The actual discretion a community foundation board has to direct general funding to other community needs may be limited. A community foundation board may see its primary role as providing good investment policies to protect and nurture those funds. Nevertheless, being aware of the donor and board composition of a local community foundation can help direct effective cultivation efforts of the nonprofit organization.

The primary focus of cultivation efforts may be not the board of the foundation but rather those individual donors who have established the donor-restricted funds. In these cases, nonprofit leaders' involvement in prospect cultivation may resemble their role in cultivating any major donor. The advantage of these donor-directed funds is that individual giving for those donors is formalized. These individuals have identified themselves as having an interest and commitment to making ongoing donations to specific community needs. In addition, because the fund exists, those donors could have the resources to make larger donations than they might on a strictly personal basis. This formalization also allows nonprofit staff an opportunity to directly request a donation from a particular fund with related interests. Moreover, the existence of donor-directed accounts enables the community foundation staff to effectively match requests with particular funds.

How Nonprofit Leadership Can Support Government Grant Proposals

Efforts to encourage grants from various levels of government sources can resemble lobbying—and, in many cases, a nonprofit organization may feel it is important to maintain a distance from the perception of this type of activity. However, beyond complying with the guidelines and processes of an identified government-granting agency, nonprofit leadership should be aware that many indirect actions can assist these efforts. Communicating with key local, state, and federal officials, inviting them to major events, seeking their input on program development and organizational evaluation—all can be ethical and legal and greatly assist with securing future grants. Any list of major potential donors or volunteers should include key government officials. Ensuring their awareness of the organization and its programs can pay dividends when trying to access limited government-funding sources.

Summary

Successfully seeking grants is similar to other efforts to attract support—it is essentially based on the concept of *partnership*. Grantors are not customers in the traditional understanding of the term—and they are not simply giving away money because a nonprofit organization does good work. Instead, the grantor sees the nonprofit organization as helping them achieve a shared future vision that will result in an enhanced community, an improved society, or a better world. Decisions about whether to enter into any types of partnerships are critical strategies for nonprofit leadership. Selecting which partners to seek, defining the terms of each affiliation, determining the limits of that partnership, and evaluating the effectiveness of the collaboration is a responsibility any leader needs to approach deliberately. Once potential partners are identified, it is important that the organization's mission and programs are aligned in a way that not only will encourage the partnership to form but will be to the advantage of the organization and its particular mission. Like any partnership, grant relationships can have stresses and challenges. But properly formed and nurtured, they can pay dividends for both parties and the society they serve.

Notes

1. Numerous resources exist on government grantseeking and writing, many of them provided by government agencies and existing on the Internet. Information on government grants can change rapidly, depending on those funding streams that are cur rently available. For the most up to date information on available federal grants, the best resource is the various websites of the appropriate government agencies. Some helpful general sources include Brewer and Achilles (2008), Government Information Service (2003), and Gilpatrick (1989).

2. There are exceptions to this, primarily in the case of oper ating foundations. Operating foundations may directly run their own social purpose programs, in addition to having assets they manage. In these cases, operating foundations do not give grants to other agencies but instead use the earnings from their assets to fund their own programs.

3. One of the more notable cases of this was Benjamin Franklin, who stipulated that the foundations he created in Boston and New York should cease to exist within 200 years of his death. In 1999, those foundations dispensed their remaining funds in accord with his wishes. For further information on lim ited life foundations, see Ostrower (2009).

4. The Foundation Center is the primary source for infor mation on foundations. Its publications and other information can be found at www.foundationcenter.org. Unless otherwise noted, data on foundations included in this article is taken from information collected by the Foundation Center and included on their website. All information cited is current as of December 2008.

5. A primary source for information on family foundations is the National Center for Family Philanthropy: http://www.ncfp.org.

6. The Council on Foundations offers this definition: "Community foundations are independent, public charities that steward philanthropic resources from institutional and individual donors to community based organizations" ("Fact Sheet: Community Foundations," available from www.cof.org, last accessed February 3, 2009).

7. For further information on the rationale behind corpo rate philanthropy, see Mitchell (1998) and Burlingame and Young (1996).

8. Some foundations initiate their own funding and do not accept unsolicited requests. Those that have these restrictions are generally clearly identified in their general information.

9. Some examples of training resources can be found at the Foundation Center (see "Proposal Writing Seminar" at the Foundation Center Marketplace, www.foundationcenter.org/marketplace) and The Grantsmanship Center (www.tgci.org). For government grant training see "Grant Writing Seminars" (www.us government grnats.net) or the websites of specific agencies: such as the National Health Institute website, titled "Grant Writing" (www.cc.nih.gov/trainign/resources/grant writing.html).

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SOCIAL ENTREPRENEURSHIP AND BUSINESS DEVELOPMENT

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How can new and existing nonprofits develop and deliver more innovative programs and services to benefit their constituencies? How can nonprofit managers keep their organizations vibrant and relevant to their communities? The answer is through constant entrepreneurship. Nonprofit (or social) entrepreneurship is a powerful process that creates social benefits. As such, social entrepreneurship has the potential to fuel major contributions to society by helping nonprofits harness innovation and creativity and bring these more effectively to bear on social issues. As social needs increase in scope and complexity, social entrepreneurship is becoming increasingly important. In recognition of this, American presidents over the last 30 years have acknowledged the important role that nonprofit organizations play in finding creative solutions to social problems. Their efforts included Ronald Reagan's "private sector initiative," George H. W. Bush's office to encourage "points of light," Bill Clinton's launching of AmeriCorps, George W. Bush's "armies of compassion," and Barack Obama's Office of Social Innovation and Social Investment Fund. In this chapter, we define and describe social entrepreneurship and discuss major issues and challenges that managers need to address as they seek to make their organizations increasingly entrepreneurial.

The Need for Entrepreneurship

Nonprofit organizations today need to cope with rapid change. The external environments of organizations are becoming increasingly complex, turbulent, and unpredictable (Morris, Kuratco, & Covin, 2008; Wei-Skillern, Austin, Leonard, & Stevenson, 2007). Some of the factors at work in these environments include the following:

- *Economic environment* unpredictable prices, costs, exchange rates, tax incentives, business cycles
- *Social environment* increases in poverty, shrinking middle class, changes in family and community structures, new solutions to social problems needed
- *Resource environment* increasing resource scarcity, shifting and decreased government funding, donations flat, increasing number of nonprofits
- *Customer environment* more demanding and complex customers/clients, more competition
- *Competitive environment* boundaries between sectors blurring, increased for profit involvement in social ventures, new models of service delivery
- *Legal and regulatory environment* more aggressive regulation, growing compliance costs, increased scrutiny from government
- *Global environment* needs, resources, and organizations globally interconnected, rapid global changes, communication and partnerships needed

These environments can present significant challenges for nonprofit organizations, but they also create meaningful opportunities for those that can cope. Several organizational characteristics are crucial for nonprofit survival in modern environments. Nonprofits need to be adaptable to adjust to change. They need to be flexible to design strategies, processes, and operational approaches that can meet diverse and evolving requirements. They need to be able to respond quickly to emerging opportunities. In addition, a proactive approach to competition and customers is needed.

Finally, they need to be continuously innovative, giving priority to developing and launching new products, services, processes, markets, and technologies. These attributes are all embodied in entrepreneurship. New and existing nonprofits that adopt an entrepreneurial outlook and the structures to support it are better positioned to survive and thrive in 21st-century environments. We turn now to the examination of how nonprofits can do this.

Entrepreneurship in the Social Realm

The Entrepreneurial Process

Entrepreneurship has been an important topic in the business world for a long time. We can term this *commercial entrepreneurship* to distinguish it from *social entrepreneurship,* a much more recent development. Entrepreneurship was first defined by French economists in the 1700s. Over the years, a number of different viewpoints toward and definitions of entrepreneurship have developed. Definitions have emphasized a broad range of activities, including bearing uncertainty, creating new organizations, exploring new opportunities, bringing together the factors of production, and producing new combinations. The essence of these definitions is that entrepreneurship is embodied in the skills, orientations, and actions of managers who use the factors of production to bring about new products, services, or organizations.

The economist Richard Cantillon (circa 1730) defined entrepreneurship as self-employment. Entrepreneurs buy at current prices to sell at (hopefully higher) prices in the future. They are, consequently, the bearers of risk. Following this orientation, Jean Baptiste Say, in 1816, defined the entrepreneur as one who uses all means of production to create profit through the value of the products that are thereby created. The current form of this approach holds that an entrepreneur is motivated by profit and seeks to recognize and act on market opportunities. This is consistent with Peter Drucker's (1985) definition of an entrepreneur as someone always searching for change, responding to it, and exploiting it as an opportunity. Entrepreneurship's role in the larger economy was put forth by Schumpeter in the 1930s. Schumpeter's (1934) focus was on the entrepreneur as an innovator, on the creative drive itself, and on the impacts of entrepreneurship on industry. The entrepreneur develops new combinations of goods, services, and organizational forms in the service of a relentless drive to create (to found a "private kingdom" in Schumpeter's terms). This process has been linked historically to the birth of new industries and the concomitant death of existing ones through a process of creative destruction.

A definition of entrepreneurship that is often used today is "the process of pursuing opportunities without limitation by resources currently in hand" (Brooks, 2009, p. 12). This process is typically broken down into a series of steps or stages:

- Recognition by the entrepreneur that an opportunity exists to create value
- Translation of the opportunity into a business concept
- A decision to start a new organization or venture to exploit the opportunity
- Development of business, marketing, organizational, and financial plans
- Determination of resource needs and acquisition of resources
- Launch of the venture
- Venture growth to maximize its payoff
- Venture harvest   the entrepreneur exits the venture, ideally at favorable terms

As can be seen from this listing, in the entrepreneurial process, the focus is not primarily on an innovative idea but on its recognition and development as part of an opportunity. Three components have been held to be critical (Timmons & Spinelli, 2003): the opportunity, the entrepreneur, and the resources needed to start the organization and foster its growth. The business plan integrates these elements into a strategic direction for the organization.

Within this process, factors at the individual, social, organizational, and environmental levels are relevant (Bygrave, 2004). Personal attributes such as locus of control or experience may interact with environmental opportunities or role models to influence the innovation stage. These and other personal factors such as job dissatisfaction or commitment, social factors such as networks and family, and environmental factors such as resources and competition may influence the decision to launch the venture. Market, resource, and other environmental factors; personal managerial talent; and organizational capabilities will influence the planning, initial implementation, growth, and end stages. All of these factors will be relevant to social entrepreneurship as well.

Social Entrepreneurship

Social entrepreneurship is a much more recent topic of discussion. The development of the concept can be traced to efforts in economics and sociology in the 1970s to delineate the role of the nonprofit sector and identify its unique contributions to society (Bielefeld, 2009). In addition, since the 1980s, nonprofits have increasingly been pressured to become more innovative and responsive to social needs. Given how new the field is, it is not surprising that definitions of the terms social entrepreneurship and social entrepreneur vary. A scan of current definitions of social entrepreneurship reveals definitions such as the

- creation of viable socioeconomic structures, relations, institutions, organizations, and practices that yield and sustain social benefits;
- use of entrepreneurial behavior for social ends; and
- art of simultaneously obtaining both social and financial return on investment.

Definitions of social entrepreneurs include

- change agents in the social sector;
- people who take risks on behalf of the people their organization serves;
- path breaker with a powerful new idea who combines visionary and real world problem solving creativity, has strong ethical fiber, and is totally possessed by his or her vision for change; or
- an individual who uses earned income strategies to pursue social objectives.

Paul Light (2006) offers a broad definition, which is useful in that it encompasses both the academic approaches seen today and practice. In his definition, a social entrepreneur is an individual, group, network, organization, or alliance of organizations that seeks large-scale change through pattern-breaking ideas in how governments, nonprofits, and businesses can address significant social processes. In this definition, social entrepreneurs

- do not have to be individuals;
- seek sustainable, large scale change;
- can develop pattern breaking ideas in either how or what gets done;
- can exist in all sectors (nonprofit, for profit, and government); and
- need not engage in social enterprise (earned income) to be successful.

In addition, the quantity of social entrepreneurship can vary greatly across individuals or entities, and the intensity of social entrepreneurship can and does ebb and flow over time as circumstances change.

In this chapter, we will focus on the entrepreneurship of nonprofit organizations as they seek to address social issues. An important first question is the degree to which this social entrepreneurship is similar to or differs from entrepreneurship as it is practiced by for-profit firms with strictly financial objectives (we will refer to this as commercial entrepreneurship).

What can social entrepreneurs learn from the study and practice of commercial entrepreneurship? Austin, Stevenson, and Wei-Skillern (2006) provide a detailed and useful examination of this question. They define social entrepreneurship as innovative social value creation. They hold that differences between social and commercial entrepreneurship will be the result of four major variables:

- *Market failure* will create different entrepreneurial opportunities for social entrepreneurship and commercial entrepreneurship.
- *Mission* results in fundamental differences between social entrepreneurship and commercial entrepreneurship.
- *Resource mobilization* will require different management approaches in social entrepreneurship and commercial entrepreneurship.
- *Performance measurement* in social entrepreneurship will need to measure social value in addition to commercial value.

Their discussion of the management implications of social entrepreneurship is based on Sahlman's PCDO model (Stevenson, Roberts, Bhide, & Sahlman, 1999), which holds that the management of entrepreneurship necessitates the creation of a dynamic fit between People (P), Context (C), the Deal (D), and the Opportunity (O). Stevenson et al. maintain that social entrepreneurship differs from commercial entrepreneurship in each of these elements. The role of *people* (and other resources) varies with differences in the difficulties of resource mobilization. The impact of the *context* varies because of the way that the interaction of mission and performance measurement influences management. The terms of the *deal* are fundamentally different because of the way resources must be mobilized and the ambiguities of performance measurement. Finally, *opportunity* differences are most distinct because of differences in organizational missions and responses to market failure.

Stevenson et al. (1999) conclude that the PCDO framework needs to be adapted for social entrepreneurship in several important respects. Most important, the social purpose of the activity needs to be stressed. They recommend replacing the (commercial) Deal with what they term the social value proposition—a conceptualization of the social value or benefits to be produced. In addition, People should be replaced with economic and human resources to highlight the distinction between these two types of resources and their disparate requirements for the management of social entrepreneurship.

The considerations of the differences between social entrepreneurship and commercial entrepreneurship involve a number of implications for practice. Management will need to pay attention to the following:

- The centrality of social value   it must be the first and foremost consideration.
- Organizational alignment with external actors may be needed to deliver social value.
- Organizational boundaries may need to be more flexible.
- Cooperation, rather than competition, may enhance social value.

Creating social value, thus, is the core purpose of social entrepreneurship. Given its centrality, it is important to clearly define *social value.* Creating value is the ultimate goal of any enterprise. For-profit organizations seek to create financial value for owners and stockholders. By their commercial activity, they create desired products and services, generate employment, and pay taxes. Their contributions to society, however, are unintended by-products of their economic activity. This can be distinguished from activities undertaken explicitly to attain socially desirable objectives. Social value, then, can be said to be created when action is taken to achieve socially desirable outcomes that are not spontaneously produced by private markets. As described by Austin, Gutierrez, Ogliastri, and Reficco (2006),

> The creation of economic value is about seeking opportunities wherein the price people are willing to pay for that solution exceeds the cost of producing it, in effect creating material wealth. On the other hand, the creation of social value is about bettering people's lives through the pursuit of socially desir able outcomes. (p. 253)

Given their explicit social missions, nonprofits are by their very nature social value-creating organizations, and their innovative actions are social entrepreneurship. These ideas are incorporated in the following definition: "Social entrepreneurs recognize and relentlessly pursue opportunities without being limited by resources currently in hand, and are guided by an explicit mission to create and sustain social value" (Rooney, 2001, p. 274). We turn next to the management of nonprofit social value generation.

The Management of Social Entrepreneurship

The Entrepreneurial Orientation

Before discussing particular management issues, we will briefly examine the nature of social entrepreneurs. Who is likely to become a social entrepreneur, and do these people differ significantly from others? Research on entrepreneurship in the 1980s sought to identify a set of innate personal attributes characterizing entrepreneurs. Bygrave (2004) concludes,

> Today, after more research, we know that there is no neat set of behavioral attributes that allow us to separate entrepreneurs from nonentrepreneurs. . . . It turns out that a person who rises to the top of any occupation . . . is an achiever. . . . By and large, we no longer use psychological terms when talking about entrepreneurs. Instead, we use everyday words to describe the characteristics found in most entrepreneurs. (p. 5)

A number of characteristics of entrepreneurs have been identified. Much research remains to be done to establish which, if any, might stimulate entrepreneurship alone or in combination and what the relative role of environmental or demographic factors might be. Bygrave (2004, p. 6) provides a list of characteristics that includes: having a vision of the future, making and implementing decisions quickly, being determined and devoted to the venture, paying attention to details, and wanting to be in charge of their destiny. Brooks (2009, p. 12) summarizes the findings in terms of six characteristics of entrepreneurs:

1. *Innovativeness* developing new ideas to meet specific challenges
2. *Achievement orientation* set personal goals and measure progress
3. *Independence* self reliant and may prefer to work alone
4. *Sense of control over destiny* rarely see themselves as victims, see negative circumstances as opportunities
5. *Low risk aversion* are more tolerant of risk and more creative at finding ways to mitigate it
6. *Tolerance for ambiguity* more comfortable in dynamic and uncertain situations

Moreover, an additional distinguishing characteristic of social entrepreneurs is *community awareness and social concern*. Social entrepreneurs value the accomplishment of a social good, in addition to or opposed to success in a commercial market.

In addition, Waddock and Post (1991) identified important leadership characteristics of social entrepreneurs. Social entrepreneurs are able to bind the complexity of social problems into a vision that has the potential to reshape public attitudes. They generate commitment in others by framing the project in terms of important social values rather than purely economic terms. They have significant personal credibility, which they use to acquire resources and build networks.

Organizational Forms: New and Existing Organizations

Entrepreneurship is sometimes equated with starting a new organization. There can, however, be questions about the degree to which new organizations differ from existing organizations. We hold Paul Light's (2006) definition of entrepreneurship to be more useful. With this orientation, social value can be created by both new and existing organizations. Social entrepreneurship, therefore, can be found in either. The topic of starting a new nonprofit organization has received much attention and is covered in detail elsewhere in this book. We will, therefore, not discuss it in this chapter. In addition to being started from scratch, however, new nonprofits can arise from existing organizations. These techniques are discussed less frequently. They can, however, be quite useful for giving the nonprofit options for where to locate its entrepreneurial activities. We briefly describe some of the possibilities below.

Spin Offs

This refers to the creation of a new nonprofit from an existing one. Depending on the motivations behind them, we can distinguish between restructuring-driven and entrepreneurial spin-offs. Restructuring-driven spin-offs are initiated by the parent nonprofit for strategic or operational motives. There are numerous reasons why management may create a spin-off, including financial considerations, regulatory relief (required by government), and the fit and focus of various internal activities or units (Joseph, 1998, pp. 40–42). The less an activity is strategically important and connected to core operations, the more likely it is to be spun off by a parent (Morris et al., 2008, pp. 244–245). Entrepreneurial spin-offs are driven by one or more individuals in existing nonprofits who are frustrated when their ideas are not endorsed by top management or who want to exploit an unused potential based on their experience and knowledge built within the parent. Entrepreneurial spin-offs are bottom-up processes, where the origin of the decision and the driver of the process is the spin-off entrepreneur. In the case of nonprofits, a spin-off could also involve a dissenting faction of a nonprofit, such as a sect of a cult or church.

Companion Organizations

Nonprofits sometimes facilitate the creation of new organizations with which they hope to closely associate. For example, a group of organizations can create a trade association to allow them to work together to obtain bulk discounts and support their shared lobbying interests. An independent 501(c)(3) organization can set up as a foundation to fund raise for a museum or school. Given that tax deductibility of donations is not a benefit for all categories of nonprofits, it may make sense to create a separate nonprofit that will be attractive to donors seeking tax deductions. The NAACP, one of the country's oldest civil rights organizations, has made use of a variety of companion organizations. Under its brand, a for-profit organization produces its magazine, branch chapters are 501(c)(4) organizations, the national headquarters is a 501(c)(3), and a special contributions fund organization is also a 501(c)(3).

Subsidiaries

As in the case of the NAACP, there are situations where one organization (the parent) can exercise operational control over another (the subsidiary). The relationship is generally established by the parent for it to receive benefits from the subsidiary. A subsidiary of a nonprofit is a corporation owned or controlled in whole or in part by the nonprofit. The subsidiary may be a nonprofit or a for-profit. Subsidiaries can be formed for a variety of reasons, including protecting the parent's tax-exempt status; protecting the parent from debts and liabilities from certain activities; attracting grants, contributions, or equity and debt financing, which help the parent overcome organizational capacity deficiencies; enhancing community image; offering incentive compensation; and transferring ownership of activities to employees or other parties. Parent nonprofits exercise control over subsidiaries via the articles of incorporation, bylaws, and the board of directors.

Franchising

According to Sharon Oster (1992), "The franchise relationship is a kind of halfway house between the freestanding entrepreneurial enterprise and the branch office" (p. 226). It involves four traits, which are established by contractual agreement (as opposed to ownership control). The franchiser gives the franchisee the right to use a trademark or sell products, and the franchisee pays the franchiser for this. In addition, the franchisee gives some assistance and maintains some control over the way the business is operated. Finally, any residual profits or losses go to the franchisee. Franchises are restricted to certain industries in the corporate world (for example, fast food, automobile dealers), and none of the companies on the Fortune 100 are organized in this way. However, franchises are relatively significant in the nonprofit world. They include well-known organizations such as Goodwill, United Way, Red Cross, Boy Scouts, and the American Cancer Society. In 1990, more than half of the top 100 charitable nonprofits were franchise organizations (Oster, 1992).

While a number of ownership options are available, it is important to note that entrepreneurship will differ when it is practiced in a startup or within an existing nonprofit organization (Morris et al., 2008). A number of implications follow from these differences. Entrepreneurs within existing nonprofits do not have to do all the things needed to start an organization. They can focus on creating successful ventures. They do, however, have to balance conflicting pressures. They have the security and resources of the nonprofit, but they may be frustrated by rules and procedures. They are self-driven but must contend with routine performance procedures and timelines. Their performance may not be as clear-cut—a variety of other factors may influence venture outcomes. They are accountable to a boss and need to justify their ideas sufficiently to obtain internal resources. The major problem for an existing nonprofit is how to create a sense of autonomy and ownership in an environment where employees or volunteers actually have little of each.

A start-up entrepreneur confronts different issues. While they are technically their own bosses, start-up entrepreneurs usually are accountable to partners, donors, suppliers, and so on, which may actually be harder to satisfy than nonprofit managers. In addition, they assume more risk and, therefore, may actually be more risk adverse. Finally, resource acquisition is likely to be a critical and enduring issue, reducing the scale and scope of the social impact of their ventures.

Opportunity Recognition

As pointed out above, the identification of opportunities to create value is the key starting point of entrepreneurship. Opportunities can come in many forms and arise in numerous places. Recognizing them is far from a simple or straightforward process. Timmons (1994) points out,

> While at the center of an opportunity is always an idea, not all ideas are opportunities. In understanding the difference between an opportunity and just another idea, you must understand that entrepreneurship is a market driven process. An opportunity is attractive, durable, and timely, and . . . creates or adds value for its buyer or end user. (p. 20)

One aspect of opportunities is the degree to which they involve novel concepts or ideas. Does the concept address a need that has not been previously addressed, or is it an improvement or modification of something that currently exists? The former are usually termed *innovations* and the latter *adaptations.* In terms of products and services, Morris et al. (2008) outline a range of possibilities for adaptations and innovations. They include cost reductions, repositioning, and new applications for existing products or services; product/service improvements or revisions; additions to product/service lines; new product/service lines in a company; new to market products/services; and new to world products/services. There can, in addition, be opportunities for new and improved organizational processes, structures, and technologies.

Another important aspect of entrepreneurial opportunities is the question of where *they come from.* Writing about commercial entrepreneurship, Peter Drucker (1985) identified seven spurs for innovative idea creation. These are also relevant for social entrepreneurship (Kitzi, 2001) and include the following:

- The unexpected in an organization, including success, failure, or some other event
- An incongruity between reality and what is assumed or "ought to be"
- Innovation based on the needs of internal organizational processes
- Surprising changes in industry or market structure
- Demographic changes
- Changes in public perceptions, mood, or meaning
- New knowledge (scientific and nonscientific)

A number of writers have examined the sources of opportunities for social entrepreneurship. On a general level, Gregory Dees (1996) points out that social entrepreneurs have opportunities when markets fail. Market failure can be said to occur when markets do not perform according to our economic or social expectations. Economically based market failures include insufficient competition, information deficiencies, externalities, and the lack of production of public goods. Socially based market failures are due to the presence of morally objectionable exchanges (i.e., child trafficking), the need to produce socially important goods, and the lack of procedural fairness and distributive justice. Each of these types of market failures can present opportunities for social entrepreneurship.

Brooks (2009) suggests that technological changes, public policy changes, changes in public opinion, changes in tastes, and social and demographic changes can inspire social entrepreneurial activity. He also points out the key roles that access to information and idea generation play in the process of opportunity recognition. Information can come from education, work and life experiences, and social networks. Ideas can be generated through brainstorming, focus groups, and surveys.

Austin, Gutierrez et al. (2006) provide a detailed description of a variety of opportunities to create social value. Social entrepreneurs may find many opportunities in each of the factors they consider:

- *The presence of barriers:* resulting from poverty, lack of education, market failures, lack of access to credit, social exclusion, and geographic remoteness
- *Weakened target populations:* due to infringements of basic rights, feeble institutional fabrics in local communities, and marginalization
- *Lack of voice:* for children and teenagers, consumers, the physically and mentally handicapped, and the environment
- *Undesirable side effects of economic activity:* including negative externalities and responsibility by association (such as tobacco or alcohol manufacturers)

Planning for Social Enterprise and the Business Plan

New ideas for providing social benefits or making social improvements need to be evaluated before these ideas are judged to be opportunities. Once so judged, the entrepreneurship process can move into the organization or venture-creating stage. Jerry Kitzi (2001) presents an opportunity assessment framework for social entrepreneurship. The idea for a new organization or venture can be assessed on three dimensions. *Social value potential* is assessed in terms of strategic alignment, achievable outcomes, partnership/alliance potential, and organizational benefit. *Market potential* includes user needs, user desire, funder interest, and market share. *Sustainability potential* is assessed by idea development, startup, cost-to-benefit ratio, organizational capability, income potential, organizational capacity, and funder interest.

Figuring out the social value, market, and sustainability potential of a new nonprofit or venture is critical to the development of a written business plan. A business plan will help the idea originator and potential supporters evaluate the feasibility and needs of a new nonprofit or venture. The plan includes an assessment of the environment and lays out strategies, helping to justify and set the stage for realistic action steps, once the organization or venture is established. It also can include financial projections, program objectives, and operational goals, along with a timeline to help leaders define and measure progress. The plan is useful for both external and internal audiences and stakeholders. The former include actual and potential funders, potential collaborators and partners, and the community at large. Internal audiences include the social entrepreneur and the top management team, actual and potential staff and volunteers, and board members. Many books and other sources contain guidelines for making nonprofit business plans, and most plans contain a number of common elements that can be adapted for an entrepreneurial nonprofit or venture (Brooks, 2009), such as the following:

- *Title page and table of contents:* gives name of organization, list of board members and executive director, contact information, and topics covered in the plan.
- *Executive summary:* generally a page or so explaining what the venture is, why it is new and important, who

will benefit and how, how the idea will be executed, who the social entrepreneur is, what support is needed, and what will constitute success

- *Description of the enterprise:* the main body of the plan, covering: the idea and why it is an authentic opportunity, the mission statement, the definition of value and how it is to be measured, key innovations or adaptations, competitive advantage, legal structure, and current status of the venture
- *The team:* demonstrates that there is a qualified, competent, and enthusiastic team in charge, including management, board, advisers, and early donors
- *Market and industry:* describes the industry, the target market, and the organization's or venture's expected position and share in the target market
- *Marketing and fundraising:* describes plans for raising resources and publicizing the venture, including fundraising targets and strategies, grantwriting plans, pricing plan, earned income activities, and marketing
- *Financial plan:* a major portion of the plan for many stakeholders, includes financial needs for 3 to 5 years, financial projections, income statements, cash flow projections, and balance sheets
- *Goals and objectives, with timelines:* includes the definition off success in detail, intermediate goals and success measures, evidence that goals can be achieved, and timeline
- *Risk assessment:* provides evidence that possible problems and solutions to them have been considered, including financial risk, legal risk, talent risk, environmental risk (political/government, economic, and demographic), and other risks
- *Supporting documents:* including resumes of key participants, data sources cited in the plan, and references to literature if used

Income Generation

In commercial entrepreneurship, the focus is on the entrepreneur's exploitation of market opportunities. The entrepreneur is motivated by profit and seeks to generate efficiencies that will generate more opportunities for profits. Social entrepreneurship can, likewise, involve market orientation as a key element (Nicholls & Cho, 2006). This will lead to a definition of social entrepreneurship as involving (or consisting entirely of) social enterprise, an approach that combines social impact with commercial income. This is exemplified by what has been called a double-bottom line or blended value orientation, in which both financial and social returns are sought. Organizational forms that are concerned with both social and economic returns are usually referred to as hybrid organizations. Hybrid organizations themselves fall along a continuum and include nonprofits with some earned income, nonprofits or for-profits with a roughly equal concern for social and financial ends (often referred to as "true" social enterprises), and for-profits with some emphasis on social responsibility (Alter, 2006).

In this framework, social enterprise is defined as any revenue-generating venture created for the purpose of contributing to a social cause while operating with the discipline, innovation, and determination of a for-profit business. Social enterprises can be classified based on the degree to which they are mission oriented, ranging from totally central to the mission to unrelated to it. Consistent with this, the activities of an enterprise can vary in terms of their social program content and the support they provide to social goals. On the one hand, enterprise activities could be synonymous with social programs, thereby completely supporting social goals. On the other hand, enterprise activities could be only partially overlapping with social programs, thereby supporting some social goals as well as some nonsocial goals. Finally, enterprise activities could be completely separate from social programs, thereby merely providing financing for social programs.

In the nonprofit context, social enterprise has been defined by the Social Enterprise Alliance (http://www.se-alliance.org) as an earned-income business or strategy undertaken by a nonprofit to generate revenue in support of its charitable mission. Earned income can consist of payments received in direct exchange for a product, service, or privilege. The focus is squarely on the mission, which is consistent with the outlook expected of nonprofit organizations. The role of commercial activity in nonprofits is controversial, however.

Although the phenomenon of nonprofits earning income is not new, it has recently been stressed to an unprecedented degree. Currently, a host of drivers and benefits are cited for nonprofit social enterprise, including the following:

- Offers freedom from the constraints imposed by government or philanthropic dollars
- Diversifies funding sources
- Provides financial support for overhead expenses, innovation, and new unproven programs, or unpopular causes, where it might be difficult to raise private funds or contract for government support
- Is sustainable for the long term
- Takes advantage of new opportunities
- Responds to new expectations from funders: asking nonprofits to become self sustaining
- Meets desire to meet double bottom line (social value and income) or triple bottom line (social value, income, and environmental neutrality)
- Creates entrepreneurial spirit in the organization
- Enhances understanding of clients (needed for commercial success)
- Tests social value (because value can be measured by the willingness to pay)
- Adds skills and competencies to organization
- Enhances profile of the organization among funders and community

While a number of benefits can accrue to a nonprofit with earned income, a number of tensions may also result. Of particular importance are considerations of the issues inherent in attempting to blend or balance commercial and social objectives and techniques. Examples are mission drift and the impact that the pursuit of earned income can have on stakeholders' perceptions of the charitable nature of the nonprofit (Dart, 2004; Weisbrod, 2004). In addition, it is important to further develop techniques to evaluate and assess social value. Without this, any discussion of the double bottom line, or the balance or trade-off of commercial and social benefits, is missing the full consideration of the social dimension. If commercial returns are far easier to measure (and defend) than social returns, they may become the most important criteria for managerial decision making, exacerbating mission drift and leading nonprofits to provide less social value. While nonprofit financial health may be maintained, communities and their members may suffer (Backman & Smith, 2003).

Growth

With its focus on industry- or economy-wide changes, a Schumpeterian perspective leads to a view of social entrepreneurship as a process that is aimed at making large-scale system changes. This would be accomplished through entrepreneurial innovations that have the potential to address significant and widespread social problems. This definition of social entrepreneurship is held and promoted by many funding and support organizations, such as the Skoll Foundation (http://www.skollfoundation.org) and Ashoka (http://www.ashoka.org). What sets social entrepreneurs in this tradition apart from conventional social service providers is that social entrepreneurs will use creativity, innovation, and resourcefulness in nontraditional, pioneering, and disruptive ways that aim at large-scale, systemic change. To have the significant, large-scale, systemic impacts sought, however, innovations must be developed and implemented on an appropriate scale. In the social entrepreneurship literature, this process is referred to as scaling for impact (or scaling up). A number of alternatives have been proposed for scaling up, or increasing, the impact of a social venture once it has been developed.

According to the Center for the Advancement of Social Entrepreneurship (http://www.fuqua.duke.edu/centers/case), in the most general sense,

> Scaling social impact is the process of closing the gap between the real and the ideal condition as pertains to particular social needs or problems. Scaling social impact can occur by increasing the positive social impact created, decreasing the negative social impact of others, or decreasing the social need or demand.

Increasing social impact is the technique most often discussed.

Scaling up has been viewed as a process that can be used for programs or services, organizational models, or principles. In this process, a social entrepreneur will first develop a concept (the beneficial program, model, or principle) and demonstrate its utility and effectiveness on a small scale and at a local level. Modest expansion can then be used to develop experience and techniques that will enhance efficiency. Finally, full-blown scaling up through wide-scale expansion will provide the large-scale impacts sought. This can be accomplished through providing significantly more services (with the goals of increasing the quantity or quality of impact), diversifying the communities served or services offered, or expanding geographically.

Geographic expansion, or branching, involves establishing new service sites in other geographical locations operating under a common name and using a common approach. Branching can prove beneficial in a number of ways. It may result in much wider social impact through providing access to whole new communities. Also, it may enhance the chances of organizational or program survival by providing access to new resource providers or partners. Finally, it may improve efficiency through economies of scale and enhance effectiveness through innovations resulting from local experimentation.

In addition, scaling up can be accomplished in more indirect ways, including information dissemination or affiliation with others in networks. For example, a program model might be promoted through licensing agreements or partnerships. Even more indirect channels are available, including influencing public policy, influencing social movements, or changing or creating markets through research, public influence, or advocacy and lobbying.

Whatever the techniques available to them, managers must assess the wisdom of attempting to scale up. According to Taylor, Dees, and Emerson (2002), there are costs and risks. These include pulling the organization from its mission, inducing financial and human resource strains, and running the risk of overestimating needs or demands. In addition, growth may hurt effectiveness, and poor performance at a site may hurt the organization's reputation. Finally, control may require more bureaucracy and lead to less innovation, when, of course, more innovation should be the goal. Consequently, care should be taken to balance the costs and risks with the potential for increasing impact. This may be more difficult when there is pressure to scale up from funders who want to demonstrate the efficacy of their funding of a nonprofit's programs.

Summary

While entrepreneurship in the for-profit world has been considered for a long time, the consideration of its counterpart among nonprofits, social entrepreneurship, is a fairly new phenomenon. This is not to say that nonprofits haven't previously been entrepreneurial in their pursuit of their missions. They, in fact, have been. This, however, hasn't been something that academic theorists and researchers or management consultants have explicitly addressed in a systematic and comprehensive manner. This is rapidly changing. In these times of increasing social needs and complex social issues and problems, social entrepreneurship is more important than ever. Consequently, the development of conceptual and practical tools to enhance social entrepreneurship is an important agenda.

The process of entrepreneurship is in many ways similar in nonprofit and for-profit organizations. Therefore, social entrepreneurs can benefit from what has been learned from the for-profit side. There are, however, important differences due to the special features of nonprofit organizations and the environments in which they function. These are primarily due to the social features of nonprofits, their missions and operations, and their environments. Given this, social entrepreneurship will not be synonymous with or a subcategory of commercial entrepreneurship. It is important to keep these differences in mind as we further develop theory and practice.

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PHILANTHROPY AND NONPROFIT LEADERS

The Becoming Business-Like of the Philanthropy Sector

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Beginning in the 1990s, nonprofit organizations are regularly expected to adopt ideas and practices from the business world. This development has been described as nonprofits becoming business-like, marketized, professional, rationalized, managerialized, commercialized, and so on. Most often, these terms are not used neutrally. Broadly speaking, there are two camps in nonprofit management studies, which have mainly been talking past each other. On the one hand, the managerialists examine the worth of management methods within the value framework delineated by business studies, namely, as to whether methods increase the efficiency and effectiveness of service provision. On the other hand, critical authors typically examine the worth of management methods from a broader sociopolitical perspective, taking matters such as participation and cultural homogenization into account. This chapter attempts to give a balanced account of these controversial positions and discusses what is known and what is debatable about the nature, causes, and effects of nonprofit organizations becoming business-like.

The Meaning of Business-Like

In nonprofit organizing, the term *business like* is often used vaguely (Dart, 2004). At the organizational level, it sometimes implies bureaucracy. When talking about global governance systems, it sometimes implies government-nonprofit contracting, often with tight financial controls and insufficient coverage of overhead costs. While all of these phenomena can occur in connection with being business-like, detailed analyses such as Dart's (2004) suggest that it is useful to keep them conceptually distinct. A nonprofit organization may be business-like without being bureaucratic or having any government contracts.

Being business-like in nonprofit organizations has at least two aspects: managerialism and commercialism. These can be present in nonprofit organizations to varying degrees and are not necessarily related to each other.

Managerialism

A wide range of theoretical approaches have been applied to understand managerialism, which has been analyzed as an ideology (e.g., Pollitt, 1993), an archetype (e.g., Carter & Mueller, 2002), and a discourse (e.g., Costea, Crump, & Amiridis, 2008), and in the context of several other more or less specified theoretical concepts. Most of these analyses can be brought down to the common denominator that managerialism is the dominance of ideas and practices emanating from the business world. Some approaches also emphasize managers as a ruling class, whereas others argue that a key element of new managerialism is that management is no longer the privilege of a small ruling class but the responsibility of every individual, each expected at least to successfully manage him- or herself.

There is no exact and final definition as to what ideas and practices are managerialist. Commonly cited practices include total quality management, business process reengineering, balanced scorecards, and performance management.

These practices tend to change as management fashions come and go and popular notions of good management evolve. The body of ideas underlying managerialist practices is somewhat more stable, but here also there is change. Pollitt (1993, pp. 11–26) names Taylorism, the new thought movement, the "decisions and systems" phase, human relations, and culture management as stages of development of managerialism. Latest changes are happening in the area of customer relations (from ideals of responsiveness to cooperation) and corporate social responsibility. Central ideas of managerialism today are instrumental rationality, agency, and progress.

Instrumental rationality means that managerialism sees organizations as vehicles for a particular purpose (the mission); it believes this purpose to be distinguishable from methods for achieving it, and it expects members to use the most efficient and effective means to this end (unlike many grassroots organizations, for example, where means and ends often cannot be distinguished, such as direct action and group discussion also having an intrinsic expressive or developmental value). Hand in hand with this goes the expectation that organizations should regularly evaluate their means and ends and should learn from mistakes.

Agency means that the organization and various stakeholders, such as managers, employees, customers, donors—virtually everybody—are seen as independent agents who are striving for their interest, who are capable of initiative, creativity, and intelligence, and who are responsible for their own actions. There is no place for lack of direction, helplessness, and dependency to be equally part of the human condition.

The centrality of progress, finally, means that managerialism puts the main emphasis on the future. Organizations, people, nation-states, or any other kinds of agentic actors always have to improve and innovate; otherwise, they are expected to fall behind in competition. Past and present are thus subtly devalued. The emphasis on progress typically goes hand in hand with acceleration and work intensification.

Commercialism

Commercialism in nonprofit organizations refers to generating income from commercial activity, that is, from selling goods or services. Commercialism does not necessarily imply forsaking the nonprofit mission. An organization can engage in commercial activities in ways that emphasize philanthropic mission over profit maximization (e.g., socially adjusted price discrimination, sales at cost price). Commercial revenue can be used to finance the philanthropic mission. Commercial activities may even be the most effective way to achieve an organization's mission, such as in social enterprises that provide work training and employment opportunities to disadvantaged groups in the labor market.

In recent years, there has been an upsurge of interest in commercial activity as an income source for nonprofit organizations. However, it would be a distortion to claim that it has led to a boom of earned income. In the United States, commercial revenue accounted for nearly half of the nonprofit sector's revenue in 1997, just as it had in 1977, and it has grown no faster over that period than other sources of revenue. The reason the fraction of commercial revenue is so high is that educational and health care institutions, which extensively charge service fees, account for nearly 70% of total nonprofit revenue and thus dominate the data (Foster & Bradach, 2005).

Commercialism and managerialism are not necessarily related to each other. There are highly managerialized nonprofit organizations that rely mostly on public funding or donations, and there are nonprofit organizations that rely highly on commercial income while being only slightly managerialized (for example, a local amateur brass band that finances its operations by playing at weddings and funerals and selling beer at an annual country fair). However, managerialism can make nonprofit organizations more aware of the benefits and possibilities of commercialism, and commercial operations often need business methods to run efficiently and effectively.

It also happens that nonprofit organizations convert their legal status to the for-profit form, giving priority to profits over philanthropic mission. This ultimate expression of commercialism is called conversion. It has been increasingly common, for example, in the U.S. health care sector.

Alternatives to Being Business-Like

When thinking about nonprofit organizations becoming business-like, it is important to consider what being business-like replaces. However, there is much more research on being business-like than on alternative ways of organizing. Smith (2000), therefore, calls managerialized nonprofit organizations the "bright matter" of the nonprofit sector, while the rest are something like the "dark matter," about which relatively little is known. From various literatures, however, some inferences can be drawn.

One form of organizing increasingly replaced by being business-like is what may be called traditional sovereign professionalism (Hwang & Powell, 2009). This development has gone so far that today in nonprofit organizations, being professional is often equated with being business-like. However, from the perspective of sociology of professions, professionalism refers to many kinds of paid work based on formal and specialized education. Managerial professionals are only a particular kind of professionals, whose expertise is believed to be designing and running organizations of all sorts. In addition to managerial professionals, there is a wide range of what may be called traditional sovereign professionals, such as lawyers, doctors, teachers, and social workers. These are believed to be competent in their substantive fields (Hwang &

Powell, 2009). Traditional sovereign professionals and managerial professionals sometimes have quite different views on what constitutes good, professional organizing.

Further non-business-like forms of organizing are bureaucracy, autocratic and oligarchic forms of organizing, participative democratic and egalitarian forms of organizing (e.g., in grassroots associations as described by Smith, 2000), and representative democratic forms of organizing (e.g., trade unions and traditional associations as described by Skocpol, 2003). To decide on the merits and shortcomings of being business-like, it is important to consider them in comparison to these and other available alternatives.

Reasons for Becoming Business-Like

Many scholars have put forward explanations for the spread of management ideas and practices, not only in the nonprofit sector, but also in the business world and the public sector. Two main mechanisms have been identified as being at work here, namely, competitive institutionalism and institutional isomorphism (DiMaggio & Powell, 1983).

Competitive Institutionalism

Explanations of competitive institutionalism see the technical superiority of business practices and ideas as the main reason for their spread. The basic explanatory pattern is this: Organizations are forced by their increasingly competitive environment to look for more efficient and effective ways to organize. Becoming business-like is such a way. If an organization fails to become business-like, it runs the risk of going bankrupt, dissolving, or becoming irrelevant. Business-like organizations, in contrast, thrive and grow. This results in an increase of business-like behavior at the sectoral level.

Most often cited as pressure for becoming business-like is competition for donor support. A type of new donor (Wagner, 2002) has emerged, who no longer gives habitually and for all purposes to a favored organization, but who sees charitable giving as a social investment. These new donors expect high rates of social return for their donations. Nonprofit organizations are, therefore, forced to become more efficient and effective and to demonstrate this by means of impact evaluation and accounting. Obviously, mechanisms of competitive institutionalism are often emphasized by advocates of becoming business-like.

Institutionalist Isomorphism

Another strand of research, most often referred to as institutional theory, does not argue with the idea that being business-like may be an efficient and effective way of organizing but disputes that competitive isomorphism is the main mechanism behind its spread. Instead, institutional theory emphasizes three other mechanisms: coercive, mimetic, and normative isomorphism (DiMaggio & Powell, 1983).

Coercive isomorphism means that formal and informal pressures are exerted on the nonprofit organization by other organizations on which they are dependent. For example, nonprofit organizations are often forced by public agencies to adopt particular accounting procedures to receive funding. Organizations based on participatory democracy (e.g., neighborhood organizations, free schools) are often driven to develop a hierarchy (e.g., have a chairperson or principal) if they want to negotiate with and gain the support of hierarchical organizations (DiMaggio & Powell, 1983).

Another explanation is mimetic isomorphism. According to this explanation, nonprofit organizations become business-like because under conditions of uncertainty, they model themselves on organizations that they perceive as legitimate and successful (DiMaggio & Powell, 1983). For example, health care nonprofits are often restricted in measuring their performance by the ambiguity, multiplicity, and inconsistency of their goals and the uncertainty of their service technologies. Under these conditions, they often resort to copying the performance assessment techniques of businesses, without fully understanding whether they are the most appropriate (Leiter, 2005).

Finally, there is normative isomorphism. Normative isomorphism occurs because people are socialized into a particular worldview on which they then act. This worldview makes them take for granted the appropriateness of particular ways of organizing (DiMaggio & Powell, 1983). Management education and interacting in networks of management professionals make people take for granted the appropriateness of being business-like. As nonprofit organizations increasingly interact with and employ people with a management background (e.g., as CEOs, specialized staff, board members, or consultants), being business-like is transported into nonprofit organizations.

Effects of Being Business-Like

Empirical research about the effects of nonprofit organizations becoming business-like started around the year 2000. It is therefore still too early for a conclusive and complete delineation of effects of being business-like. It is possible, however, to point out which effects are so far supported by quite solid evidence and about which effects there is open debate.

If we assume that nonprofit organizations fulfill three distinct roles in society, namely, service provision, advocacy, and community building, we can distinguish three possible effects of nonprofit organizations becoming business like: effects on their efficiency of functioning, shifts between functions, and change of activities within functions.

Efficiency of Functioning

A voluminous literature argues that being business-like helps nonprofit organizations fulfill their societal functions more efficiently. Apart from a large number of articles based on conceptual argument, anecdotal evidence, and descriptive statistics, a number of studies based on inferential statistics also support this view. Inferential studies subject hypotheses about the relationship between managerialist techniques and efficiency to quantitative testing. Barring the chronic problem of operationalizing efficiency in nonprofit organizations, these studies consistently confirm that management practices increase efficiency (e.g., Dautel Nobbie & Brudney, 2003; de Prins & Henderickx, 2007; Herman & Renz, 1999; Shoham, Ruvio, Vigoda-Gadot, & Schwabsky, 2006). These studies focus mostly on the increase of efficiency of service provision.

There is very little empirical evidence, however, about the effects of being business-like on the efficiency of advocacy and community building. Several conceptual and qualitative studies suggest that being business-like may in certain ways make nonprofit organizations less efficient in advocacy and community building (e.g., Backman & Smith, 2000; Skocpol, 2003). This is an area of open questions, warranting more empirical research.

Shift of Functions

A second effect of being business-like may be shifts between the functions that a nonprofit organization fulfills. Several conceptual and qualitative studies suggest that being business-like encourages a shift toward service provision and away from advocacy (e.g., Eickenberry & Kluver Drapal, 2004; Ryan, 1999) and community building (e.g., Eickenberry & Kluver Drapal, 2004; Leonard, Onyx, & Hayward-Brown, 2004; Ryan, 1999; Skocpol, 2003). Also on this matter, empirical evidence is not conclusive.

Change of Activities Within Functions

As a third consequence, becoming business-like may change the activities through which a nonprofit organization fulfills a societal function, even if it does not shift toward other functions. Dobkin Hall (1990) argues based on anecdotal evidence that being business-like leads to a more short-term orientation. Another consequence, for which there is empirical evidence from several qualitative studies, may be the concentration on core competencies. In service provision, this means focusing on particular kinds of services and clients (Dart, 2004; Treleaven & Sykes, 2005) and in advocacy, it entails selecting narrower topics for advocacy (e.g., Skocpol, 2003).

Being business-like may also change the importance of particular stakeholder groups. Skocpol (2003), for example, provides evidence that a broad and active member base loses importance, while managers gain decision-making authority. Numerous studies show that in business-like organizations, the work of volunteers loses importance, while more and more tasks are taken over by paid staff (see the qualitative studies by Kelley, Lune, & Murphy, 2005; Parsons & Broadbridge, 2004; Treleaven & Sykes, 2005, and the studies cited above with regard to the demise of the community-building function).

Initial evidence thus suggests that being business-like has far-reaching effects on the way nonprofit organizations operate. However, the issue needs more empirical research.

Hybrid Forms of Organizing in the Nonprofit and For-Profit Sector

Many observers have noted that while nonprofit organizations have become more business-like in recent years, for-profit organizations have made steps toward greater social and environmental sustainability. Consequently, some hybrid forms of philanthropy and being business-like have become established. Some of the most prominent hybrids are discussed in this section, namely social entrepreneurship, venture philanthropy, social enterprise, and corporate social responsibility.

Social Entrepreneurship

Social entrepreneurship means using business-like methods to create something new, with the objective of creating social value rather than personal or shareholder wealth. If defined in a narrow sense, social entrepreneurship is restricted to the nonprofit sector. If defined in a broad sense, social entrepreneurship can also take place in the for-profit sector (Austin, Stevenson, & Wei-Skillern, 2006). Often, but not necessarily, creating something new entails founding a new nonprofit organization.

Venture Philanthropy

Venture philanthropy refers to an investor (one or several individuals or organizations) investing in new or growth ideas generated by a nonprofit organization. The philanthropist invests a large amount of capital over an extended period of time (usually 3 to 5 years) to enable the organization's capacity building. The investor places great emphasis on management and performance measurement to ensure a high social return on investment and is highly involved in the nonprofit organization, for example, through management consulting (Frumkin, 2003; Pepin, 2005). There usually is the perspective of exit after the nonprofit organization has developed alternative sustainable income. All of this is defined in a strategic plan, often with fixed milestones and tangible returns. The expected return is not financial but social, and at exit, the aim is usually not capital gain for the investor but established financial sustainability for the nonprofit organization (Pepin, 2005).

Social Enterprise

The term *social enterprise* has at least two different meanings. One meaning stresses the innovative character of social enterprise, defining it as the tangible outcome of social entrepreneurship (Mair & Marti, 2006). Another meaning does not require social enterprises to be particularly innovative. According to this meaning, social enterprises are organizations with a prosocial aim whose main activity is producing and selling goods or services.

In a social enterprise, the material interest of capital investors is subject to limits. However, social enterprises include not just nonprofit organizations with a total nondistribution constraint but also organizations like cooperatives, which may distribute profits but only to a limited extent, thus avoiding profit maximizing behavior (cf. Defourny & Nyssens, 2006).

Further elements to narrow down this definition are that the social enterprise has a high degree of autonomy (not managed, for example, by a public authority or a for-profit business), carries a significant level of economic risk, involves a minimum amount of paid work, does not base decision-making power on capital ownership, and lets the various parties affected by the organization participate in decision making (cf. Defourny & Nyssens, 2006).

Corporate Social Responsibility

Corporate social responsibility (CSR) means that a for-profit organization engages in activities to further some social good that goes beyond its own interests and what is required by law (McWilliams & Siegel, 2001). Welford (2004) distinguishes four aspects of CSR, namely, internal aspects, external aspects, accountability, and citizenship.

Internal aspects of CSR refer to how an organization treats its own employees. This includes (Welford, 2004)

- written policies on nondiscrimination in the workplace;
- equal opportunity statements and implementation plans;
- statement of normal working hours, maximum overtime, and fair wage structures;
- staff development, in house education, and vocational training;
- the right of freedom of association, collective bargaining, and complaints procedures; and
- the protection of human rights within the company's own operations.

External aspects of CSR refer to how the organization deals with other stakeholders such as suppliers, the local community, and the government. This includes (Welford, 2004)

- policy on labor standards adopted by suppliers in developing countries;
- policy on restrictions on the use of child labor by suppliers;
- commitment to the protection of human rights in the company's sphere of influence;
- inspection of suppliers' facilities for health, safety, and environmental aspects;
- commitment to local community protection and engagement;
- policy on responding to stakeholders, including procedures for the resolution of complaints;
- policies on fair trade, equitable trade, and end price auditing;
- policies on the protection of indigenous populations and their rights; and
- a code of ethics, including bribery and corruption.

Accountability aspects include the commitment to reporting on CSR and sustainable development, and policies and procedures for engaging a wide range of stakeholders in two-way dialogue (Welford, 2004).

Citizenship, finally, means that businesses actively promote values. At its most simple level, this can be done by supporting initiatives related to third-party social and sustainable development. More intensive forms of citizenship involve educational programs to promote social responsibility. Finally, some businesses actively campaign for environmental and social issues such as the elimination of animal testing, women's rights, and human rights. Many do this in cooperation with nonprofit organizations (Welford, 2004).

Opportunities and Risks of Nonprofits Being Business-Like

As businesses become more socially responsible and nonprofit organizations become more business-like, this creates opportunities but also challenges for the nonprofit sector.

Commercial activity has been welcomed as an opportunity to generate income that comes with no strings attached. Nonprofit organizations can use commercial income for whatever purpose they need it, to cross-subsidize mission-related programs or to cover overhead costs not covered by government or private donations (Foster & Bradach, 2005). There is strong evidence that revenue diversification, particularly equalizing the reliance on commercial income, investment income, and private donations, leads to greater revenue stability (Carroll & Stater, 2009). In some cases, notably in the area of labor market integration, commercial activity is the core activity for achieving the philanthropic mission, as exemplified in the concept of social enterprise.

The risks of nonprofit commercialism, however, should not be underestimated. First, despite the media prevalence of success stories, more representative studies show that the vast majority of commercial ventures are financially unsuccessful. Based on a survey of randomly sampled nonprofit organizations in the United States, Foster and Bradach (2005) estimate that 71% of commercial ventures are unprofitable, 5% break even, and 24% claim that they are profitable. Of those that claim to be profitable, half do not fully account for indirect costs such as general overhead and senior management time. Nonprofit commercial ventures thus have lower financial success rates than comparable small business ventures (Foster & Bradach, 2005). Second, nonprofit organizations need to be aware that commercial activities can lead to a loss of tax privileges and, in most cases, crowd out private donations (Yetman & Yetman, 2003). Most important, there is the danger of mission drift. In some cases, conflict is direct, involving a shift from serving the needy to serving those who can pay. In most cases, conflict is indirect: Launching and running a commercial venture consumes scarce management resources and thereby dilutes the organization's focus on its mission (Foster & Bradach, 2005).

For the nonprofit sector as a whole, the increasing salience of commercialism has been a double-edged sword. On the one hand, as business is the preeminent organizational model of our time, commercialism can lend legitimacy to nonprofit organizations. On the other hand, commercialism calls the philanthropic character of the nonprofit sector into question and has led to repeated calls for a reduction or even abolishment of tax privileges for nonprofit organizations.

The opportunities and risks of nonprofit managerialism are more difficult to gauge than those of commercialism because relatively little empirical evidence on the effects of managerialism is available yet. On the positive side, managerialism seems to actually improve the efficiency of service provision, thereby delivering the core promise made by its advocates. Compared to some forms of organizing, it provides greater transparency and accountability to stakeholders (although in comparison to others, such as democratic organizing or bureaucracy as argued by du Gay, 2006, this seems more questionable). Managerialism leads to important legitimacy gains for the organization.

Risks of managerialism can be identified with regard to community building, democratic governance, and cultural homogenization. There is considerable evidence that managerialism, with its instrumental rationality, accelerated work pace, and emphasis on managerial professionalism, provides fewer opportunities for volunteer involvement and may thereby weaken community building.

With regard to democratic governance, managerialism scores rather poorly on formal, participative, and descriptive representation (Chao & Musso, 2007). Formal representation refers to formal organizational arrangements for constituents to elect and recall officials and to limited terms of office, regular representative conferences, the right of factional opposition without expulsion, the right to circulate oppositional material among the membership, and so on. Participatory representation means that there is a direct, unmediated, and participatory relationship between the organization and its constituents. Descriptive representation means that leaders of an organization mirror the politically relevant characteristics of its constituents (Chao & Musso, 2007). Managerialism sees forms of governance from the business world as most appropriate, where boards nominate their own succeeding members, the corporate culture is unified, leaders are strong, participation is welcome only insofar as it accords with what management perceives as the organization's interest, and relationships toward constituents are based on accountability rather than formal responsibility. With regard to descriptive representation, managerialism is problematic as it typically involves managers and boards of directors from upper income, better educated, professional backgrounds, whereas community members are often less able to speak and act in business-like ways. Managerialism, thus, may be more democratic than autocratic and bureaucratic forms of organizing but lags far behind other forms of organizing that have been practiced successfully in the nonprofit sector (e.g., grassroots and federalist forms of organizing) and behind new forms of organizing that are constantly being envisioned, tried out, and developed.

Finally, as beneficial as being business-like is for certain purposes, the cultural homogenization resulting from its spread into every nook and cranny of human existence (see, e.g., Hancock & Tyler, 2004), including civil society, should be viewed with some caution. The nonprofit sector is an important place for people to practice caring and being cared for, to act in the common interest as responsible citizens, to experience conviviality, and to lose themselves in pursuit of something ultimate. Human nature involves more than being a business-like, instrumentally rational agent. Civil society should and will in all likelihood continue to provide space for this.

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Selection, Functions, Structure, and Procedures of the Nonprofit Board

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Nonprofit organization governance is not “one size fits all.” There is no ideal board size, simple formula for board composition, a definitive board member job description, perfect committee structure, or a best way to run a board meeting (Robinson, 2006). While every nonprofit must have a board of directors, board size and composition, board job descriptions and committee structures, and board meeting processes vary because nonprofit organizations are different. They have different missions and unique histories and are at different stages in their organizational life cycle. They are various sizes, have diverse organizational structures, and change over time, resulting in different organizational needs. Therefore, this chapter does not profess to be the ultimate or authoritative word on the topics it covers; that is, recruiting and selecting the board, board job descriptions and board agreements, board committee structures, and board meeting processes. Rather, its intent is to provide an overview of each topic and suggest references for further information on these important governance issues.

Recruiting and Selecting the Board

Board members are the volunteer leaders of a nonprofit organization. When selected carefully, board members bring valuable resources to nonprofits, which can be capitalized on to advance the organization’s mission. These resources include knowledge, skills, specialized expertise, personal and professional contacts, and financial resources.

The recruitment and selection of board members should be undertaken in a thoughtful and deliberate manner. First, optimal board size and desired composition should be determined based on an assessment of organizational needs. It is import to re-examine these factors on a regular basis because as the needs of a nonprofit organization changes, its board of directors should change as well.

Board Size

Board size is established by the nonprofit and is typically specified in its bylaws. Outside entities may play a role in determining board size. State laws, for example, define the minimum allowable number of board members (Independent Sector & BoardSource, 2009). External authorities such as government agencies or funders may also influence board size by establishing requirements for stakeholder group representation on the boards of nonprofits they support.

Nonprofit boards vary significantly in size ranging from fewer than 5 to more than 60 members. The average board has 16 members (Ostrower, 2007). Larger boards allow for increased diversity and greater representation of constituent and stakeholder groups bringing new ideas and important perspectives to board deliberations. A large board can provide more community connections that broaden the organization’s networks and enhance its social capital and fundraising capacity. Nonprofits with few or no staff members may benefit from a larger working board, which supports its operations in addition to fulfilling its governance role. However, large boards can be more difficult to manage, may make decision making more challenging, and can diffuse responsibility. Members of large boards may be underused, leading to dissatisfaction and resignations.

Conversely, small boards are typically less time consuming to manage and can be more efficient in decision making. Members of small boards may feel more connected to each other and to the organization and may have a clearer sense of their personal impact on the advancement of the organization's mission. However, when a board is too small, its work may be negatively impacted. Small boards mean less diversity of ideas and fewer community connections. Members of small boards may burn out when there are too few members to carry out their responsibilities.

Therefore, when determining board size, nonprofit leaders should consider the organization's needs and balance the benefits and challenges that come with boards of varying sizes. To learn more about the impact of nonprofit board size on nonprofit governance and organizational effectiveness, consult the following sources: Bradshaw, Murray, and Wolpin (1992); Golden and Zajac (2001); Miller, Weiss, and MacLead (1988); O'Regan and Oster (2005); Ostrower (2007); and Provan (1980).

Composition

Decisions about board composition should be based on a nonprofit organization's needs as well as its strategic direction. The board governance committee should determine what knowledge, skills, expertise, contacts, and resources are needed to advance the organization's current work and realize its desired future. Consideration should be given to: (a) personal attributes, (b) diversity and representation, and (c) the chief executive officer's role on the board.

Many boards find it helpful to complete a matrix to assess current board composition as compared to desired board composition. This identifies gaps, which the board seeks to fill through its recruitment process. For further information on board composition matrices, including examples, see Dambach, Davis, and Gale (2009) and Robinson (2008).

A nonprofit's bylaws can be used to assure board diversity by specifying composition requirements (Robinson, 2008). It is important to include composition mandates placed on the organization by external groups, for example, consumer representation mandated by a funder or membership representation required by the organization's charter.

Personal Attributes

Personal attributes include a board member's or prospective member's skills, professional knowledge, personal qualities, and experience. Such attributes can be drawn on to make the board and the nonprofit organization more effective. While some personal attributes are likely to advance the work of any nonprofit (e.g., good communication skills); other personal attributes may be particularly well suited to meet a specific organization's needs (e.g., Spanish language skills).

Desirable board member skills include facilitation, consensus building, and networking. Beneficial professional knowledge varies from organization to organization and includes law, community organizing, accounting, public relations, research, medicine, real estate, education, and finance. Desirable personal qualities in board members are passion for the organization's mission and a sense of humor; good board members are hard working, good listeners, risk takers, ethical, and well-organized. Experience on other boards and personal experience as a consumer of services can also be valuable attributes (Robinson, 2008).

Diversity and Representation

The demographics of our nation and our communities are changing rapidly. Nonprofit boards should reflect the diversity of the community in which it is situated and of the people it serves. Board service provides "an important opportunity for community participation" (Daley & Marsiglia, 2001, p. 290), bringing new knowledge, enhanced creativity, and essential community perspectives to board deliberations. When assessing diversity and community representation, boards should consider factors beyond race and gender, including ethnicity, language, age, socioeconomic status, religion, sexual orientation, and ability status.

While the benefits of nonprofit board diversity are touted by many, a recent study (Ostrower, 2007) found that boards are largely homogeneous. In regard to race, on average, 86% of board members are white, non-Latino; 7% are African American or black, and 3.5% are Latino/Latina. Medians demonstrate even greater homogeneity; 96% white, and 0 for African Americans or blacks and Latinos/Latinas. Clearly, board membership does not reflect the diversity of our nation.

The picture for gender diversity is dramatically different. On average, 94% of boards include women, and overall, women are almost equally represented. However, there are gender differences related to board size and nonprofit type. The larger the nonprofit board, the smaller the percentage of female members. Education, cultural, and human services boards have the largest percentages of female board members (Ostrower, 2007).

In addition, the board members of larger and wealthier nonprofits come predominately from elite groups (Ostrower, 2007). This supports the findings of Widmer (1987) who reported that minority board members, like their white counterparts, were not typically representative in terms of socioeconomic status of the communities being served.

Finally, most boards are composed of members between the ages of 36 and 65. On average, only 16% of board members are over age 65, and 7% are under the age of 36 (Ostrower, 2007). This signifies a serious underutilization of the time and talents of the senior and young adult segments of the population.

These findings give rise to "basic questions about the ability of many boards to truly represent and respond to the diversity of the public they serve" (Ostrower, 2007, p. 18). The most ethical groups and often the most successful nonprofits are led by those who directly benefit from the organization's programs (Robinson, 2008). "To do their best work, anti-poverty agencies need poor people among the leadership, arts organizations should include artists, and groups that serve the disabled should include those with disabilities . . . on the board" (Robinson, 2008, p. 13).

It is important to remember, however, that simply placing diverse people on the board is insufficient. Research has shown that diverse board members are often marginalized (Widmer, 1987). Instead, diverse members must be welcomed, have their voices heard and opinions valued, and play leadership roles. For further information on diversity and representation in nonprofit boards see BoardSource (1999), Brown (2002), Daley (2002), Gottlieb (2005), and Siciliano (1996).

Chief Executive Officer

Some nonprofits, particularly larger ones that have adopted more corporate-like governance structures, have also adopted the practice of making the organization's chief executive officer a voting member of the board. Ostrower (2007) found that 33% of survey respondents include the CEO as a voting board member. Boards should carefully consider the ramifications of this practice, including the potential for conflicts of interest. CEOs should consider whether voting rights might place them in a difficult position with all or some board members over contentious votes. Most important, state laws should be checked to ensure that this practice is not prohibited.

In the event a board chooses to have its CEO serve on the board, the CEO should not serve as board chairperson. This separation of roles is a key internal control and accountability mechanism (Independent Sector & BoardSource, 2009). Decisions regarding the CEO's board member status should be specified in the organization's bylaws.

Recruitment

Once the board's optimal size and desired compositional mix have been determined, the board governance committee can turn its attention to the identification, cultivation, and selection of prospective board members. When the board makes its selections, the final step in the recruitment process takes place, that is, the election of new members.

Identifying Prospects

Boards often view the recruitment process as a once a year task. However, the identification of board prospects should be an ongoing effort led by the governance committee with assistance from other board members and the chief executive officer. Prospective board members can be found among people already associated with the organization, such as committee members, volunteers, donors, and the people the organization serves. Professional associations, service organizations, and other nonprofits such as the Chamber of Commerce, League of United Latin American Citizens, Society for Human Resource Management, Urban League, American Bar Association, and Junior League are other sources of potential board members. Faith institutions including churches, mosques, synagogues, and temples as well as educational institutions of all levels are also good sources for recruiting board members.

In addition, board-matching services are offered in some communities by voluntary action centers, community foundations, nonprofit resource centers, and the United Way. A national online board-matching service is provided by Boardnet USA (www.boardnetusa.org). Caution should be taken when recruiting certain groups of people. Board members often first approach friends and others they know. Recruiting friends may be appropriate if friends are passionate about the organization's mission and possess knowledge, skills, and abilities the board needs (Robinson, 2008). However, recruiting friends to the exclusion of undertaking broader recruitment efforts often leads to a board that is less diverse.

Another trap some boards fall into is focusing their recruitment efforts on people who are wealthy or well-connected. These individuals may have no interest in your organization and may already be spread too thin by service on numerous boards. On the other hand, if wealthy and well-connected people are known to be passionate about an organization's cause or have expressed interest in its work, they should be considered for board service (Robinson, 2008).

Recruitment Techniques and Prospect Cultivation

A wide range of techniques can be used to recruit new board members. Recruitment techniques include inviting prospects to attend a board meeting or organization event, arranging organization tours, conducting informal meetings and formal interviews, and completing an application form. The recruitment techniques an organization elects to use will depend in part on its organizational culture as well as time and financial constraints.

The cultivation of board member prospects is a key part of the recruitment process. Cultivation is used to assess what the prospective board member can contribute to the organization and to determine what he or she will need from the organization to be successful. The cultivation process should also be used to help prospects new to board service understand the roles and responsibilities of board members and to aid all prospects in understanding the specific requirements for service on the organization's board. It is important to be clear and up front about how much time a board member can expect to spend fulfilling board duties and what the organization's fundraising and personal giving expectations are. It is helpful to share copies of the organization's board job description or an example board agreement. (These documents are described in the next section of this chapter.) In addition, potential conflicts of interests should be explored with the prospective board member. Discuss how the board handles conflicts of interest and share the organization's conflict of interest policy.

Finally, cultivation is about relationship building and as such should be a personalized and affirming process. Whatever the outcome, it is important for the prospective board member to come away feeling positive about the organization.

Selecting and Electing New Board Members

A nonprofit's bylaws should specify the organization's process for selecting and electing new board members. Self-perpetuating boards are solely responsible for the selection and election of its members. In membership organizations, the members typically vote for the board and may even elect board officers. In nonprofits established by government entities, for-profit organizations, or other nonprofits, these external bodies may have the authority to nominate board members or to appoint individuals to fill designated board seats (Dambach et al., 2009).

If the board has approached the recruitment process in a strategic manner and has identified diverse prospects with attributes that will help the organization advance its mission, the selection of new board members should be relatively uncomplicated. The governance committee should use its previously developed board composition matrix to determine which prospective board members, individually and as a group, are best suited to help the organization reach its short- and long-term goals. If the role of board member is not the right fit for a particular prospect, consideration should be given as to whether this individual might support the organization in some other way.

When inviting prospects to join the board, it is important to make them feel needed and wanted. Let candidates know why they were selected and how the board believes they will benefit the organization. For prospects who accept an invitation to join the board, draft a board agreement. The agreement should be finalized and signed after the board vote appointing the person to the board. For further information on board recruitment, see Create the Future (n.d.) and Gottlieb (2003).

Board Job Descriptions and Board Agreements

Board job descriptions and board agreements are important documents that communicate expectations about board service between prospective and current board members and the nonprofit organization. They play an important role in the recruitment of new board members, in evaluating board members, and when necessary in removing individuals from the board.

Board Job Descriptions

As with job descriptions for staff members, the main purpose of a board job description is to provide an overview of duties. Board job descriptions also set expectations for performance, provide a basis for evaluation, and can be used to support the firing of ineffective board members (Robinson, 2008). Research has shown that clear board job descriptions play a role in helping nonprofits carry out their missions (Bradshaw, Murray, & Wolpin, 1992).

Job descriptions should be developed for the position of board member and for each board officer position. Most board job descriptions include a list of generic responsibilities tied to traditionally defined roles. Good board descriptions, however, should go beyond a listing of generic duties. They should be customized to reflect the specific expectations of service on your nonprofit organization's board.

A generic board member job description should include: (a) a position overview, (b) a list of position responsibilities, and (c) an outline of performance expectations. The description may also specify known or anticipated time commitments. The generic position should then be customized as previously discussed. See Appendix A for a generic board member job description.

Job descriptions for board officer positions should also be created. Officer positions vary from board to board. Some common board officer positions are: chairperson or president, vice chairperson or vice president, treasurer, and secretary. Board officer job descriptions should delineate the specific responsibilities of the respective positions. The following provides an overview of the key duties for these common officer positions, which may be incorporated into their respective job descriptions.

Chairperson

The board chairperson is a member of the board, serves as its chief volunteer officer, and is responsible for the board's activities. The chair works collaboratively with other board members to govern the organization and works in partnership with the chief executive officer to provide leadership. Key duties include (a) ensuring that the board meets its legal obligations, (b) serving as a role model for other board members, (c) supporting the CEO with key functions and serving as a sounding board, (d) developing or providing input into board agendas and running board meetings, (e) appointing committee chairpersons, (f) overseeing board officer transition, and (g) representing the organization and serving as a spokesperson as needed.

Vice Chairperson

The vice chairperson assumes the board chairperson's duties in the chair's absence. Key responsibilities include: (a) performing the chairperson's role when the chair is unavailable, including running board meetings; (b) chairing a major board committee; (c) assisting the chair with board officer transition planning; and (d) performing special assignments delegated by the chair or assigned by the board.

The board vice chairperson is often the successor to the board chairperson. However, making this position an automatic successor to the presidency is not advised because some excellent vice chairpersons do not have the knowledge, skills, and abilities necessary to lead the board.

Treasurer

The board treasurer provides leadership regarding the board's fiscal oversight role. Key duties include (a) chairing the finance committee, (b) providing a finance report at board meetings, (c) assisting with budget development and presenting the budget to the board, (d) ensuring that financial controls are in place and are being properly executed, (e) overseeing the wise investment of excess revenues, and (f) participating in the selection of an auditing firm.

Secretary

The board secretary is responsible for keeping a record of all board action. Key responsibilities include: (a) taking of board meeting minutes, (b) disseminating meeting agendas and minutes, (c) maintaining all board records, and (d) providing a notice of board meeting and committee meetings as required. In cases where staff support is available to complete all or some of the above responsibilities, the secretary is responsible to oversee that they have been completed in a thorough, accurate, timely, and confidential manner. For further information on and examples of board member and board officer job descriptions see Dambach et al. (2009), McNamara (n.d.), and Robinson (2008).

Board Agreements

Like board job descriptions, board agreements also outline board member responsibilities, both generic and specific. In addition, board agreements spell out what board members can expect from the nonprofit organization. These reciprocal agreements are more detailed, thereby lessening the likelihood of a misunderstanding regarding expectations. They hold both the board member and the organization accountable (Robinson, 2008).

The following provides an example of reciprocal responsibility statements related to the board's fiscal oversight role:

> *Board member responsibility:* I accept fiduciary responsibility for the organization. I will monitor the organization's financial status and oversee its fiscal soundness and integrity.
>
> *Organization responsibility:* Timely, accurate, and complete financial statements will be distributed to the board member. The board member will receive training to read and interpret our financial statements.

Board agreements are excellent tools for board recruitment because they provide prospective members with an understanding of what will be required of them and what the organization will provide to them in return. Like board job descriptions, the best board agreements are personalized. For example, a board agreement for a new board member who is a certified public accountant (CPA) might specify that the board member agrees to serve on the board's finance committee. Conversely, the agreement would spell out the organization's commitment to the board member; for example, sponsoring the board member's annual attendance at a nonprofit accounting conference.

In addition to reciprocal responsibilities, board agreements should specify the board member's term, committee assignments, and board leadership positions as applicable. Board agreements may also include ethics or conflict of interest statements. Board agreements should be signed and dated by the board member, board chairperson, and chief operating officer of the organization. For further information on board agreements, see Robinson (2008). Sample board agreements can be found on the websites of BoardnetUSA (www.boardnetusa.org) and BoardSource (www.boardsource.org).

Board Committee Structures

Board committees facilitate the work of the board. Committee structures vary from nonprofit to nonprofit but typically include standing committees and task forces. When designing a board committee structure, care should be taken to ensure that (a) the board has a sufficient number of members and the necessary expertise to carry out the committees' respective assignments, (b) the organization has the capacity to support the committees' work, and (c) procedures are put in place to make sure that board committee work advances the work of the full board rather than usurps its responsibilities.

Standing Committees

Standing committees are a permanent part of the organization's governance structure. They are specified in the organization's bylaws, which also outline their major responsibilities. Common standing committees include governance, executive, finance, audit, and fundraising. Other standing committees may include program, personnel, marketing, and community relations. When deciding which standing committees should be part of a nonprofit's governance structure, consideration should be given to the type, extent, and duration of the board's anticipated involvement; that is, policy focused, extensive, and ongoing versus supportive, limited, and one time or episodic. In addition, creating a committee structure that parallels staff responsibilities should be avoided (Dambach et al., 2009; Holland, 2006).

Governance

The governance committee or board development committee is considered by many to be the board's most important committee. Its role is to strengthen the board's own effectiveness. The committee is responsible for addressing board composition, the recruitment of board members, board orientation and training, board leadership development, the evaluation of individual board members, and the assessment of the board's performance. Its duties also include the ongoing evaluation of board structure, processes, and guiding documents such as the organization's bylaws and board policies (Dambach et al., 2009).

Executive Committee

The executive committee is typically composed of the board officers and is chaired by the board chairperson. The organization's chief executive officer usually serves as an ex-officio member unless the CEO is also an officer of the board. The executive committee is empowered to handle routine board matters and address crisis situations that arise between board meetings. If the executive committee is authorized to act on behalf of the full board, details regarding committee membership, authority, and functions should be outlined in the organization's bylaws (Dambach et al., 2009). Executive committee action should be presented to and ratified by the full board at its next meeting.

Not all nonprofit organizations have executive committees. The boards of new nonprofits and small organizations do not typically need them. In addition, some larger nonprofits choose not to have an executive committee to prevent other board members from being underused or feeling unneeded (Dambach et al., 2009). More important is the concern that the executive committee may become a de facto board.

Finance Committee

The finance committee is responsible for fiscal oversight and is typically chaired by the board treasurer. Committee functions include working with the chief executive officer to prepare the organization's annual budget, monitoring income and expenses, ensuring that the organization's financial practices meet applicable state and federal law, establishing financial controls, overseeing the organization's investments, and ensuring the timely and accurate completion of the Internal Revenue Service (IRS) Form 990, 990-EZ, or 990-PF, as applicable (Block 2001; Dambach et al., 2009).

Audit Committee

Not all nonprofits have outside audits conducted. But for some nonprofits—for example, nonprofits that receive more than $500,000 in federal funds—audits are mandated by law. Many nonprofits use their finance committees to oversee the organization's audit requirements. However, the 2002 passage of the Sarbanes-Oxley Act and the IRS 990 requirement to specify whether a specific committee is charged with overseeing the audit and the selection of the audit firm has led many nonprofits to establish a distinct audit committee. Separate finance and audit committees provide a check and balance for the organization (Independent Sector & BoardSource, 2009).

Fundraising Committee

The fundraising or resource development committee is typically responsible for setting annual fundraising goals and assisting with the development of fundraising plans. The committee may also examine and make recommendations about alternative fundraising strategies. In addition, committee members may be involved with the solicitation of donations and in planning or conducting special events (Block, 2001).

Task Forces

Many boards are moving to more flexible board committee structures, which can be accomplished through the increased use of task forces. Task forces are appointed to address a specific issue or complete a specific assignment over a limited period of time. Once their assigned task has been completed, they are disbanded (Dambach et al., 2009). Task forces can be established for a wide range of purposes. Examples include reviewing staff salary structures and benefit packages, doing strategic planning, designing a public relations campaign, or overseeing the search for a new chief executive officer.

Task forces provide a number of benefits beyond their flexibility. They can provide board members with substantial opportunities for engagement without the long-term commitment required for service on standing committees. Task force work can capitalize on the knowledge, skills, and abilities of individual board members. They can also provide opportunities for new board members to take on leadership roles.

Committee Membership

Board committees are chaired by a member of the board, who is typically appointed by the board chairperson. Board standing committees are generally composed exclusively of board members and may be provided with staff support (Dambach et al., 2009). The chief executive officer or another senior staff member may serve as an ex-officio member of a committee; for example, the organization's finance director may be appointed to serve as an ex-officio member of the board finance committee. In some nonprofits, committee members may include volunteers, consumers, or patrons of the organization's services, representatives from the community, donors, or staff members. This is a more common practice for board task forces and for organizational rather than board committees.

Brown and Iverson (2004) studied nonprofit organizations' strategic orientation and how their governing boards are correspondingly structured to match their orientation. Miles and Snow's typology of strategy was used to categorize nonprofits into strategic types. Brown and Iverson found that "prospectors" emphasized innovative programs and encouraged experimentation by staff. These nonprofits had broader committee structures and on average included members representing more than two constituent groups per committee. "Defenders" used fewer innovative strategies; instead, they emphasized the maintenance of well-defined and efficient services. These nonprofits typically had fewer board committees and committee members.

Brown and Iverson (2004) note that some nonprofits deliberately structure their governance committees to facilitate their organization's strategic philosophies. They suggest that nonprofits must adapt committee structures to their particular circumstances and should consider how their governance structures enable or prevent them from implementing their desired strategy.

For further information on board committee structures, see The Committee Series by BoardSource (www.boardsource.org).

Board Meeting Practices

The practices boards use to run meetings impact board effectiveness and efficiency. Board meeting practices include meeting frequency, length, methods, and who attends meetings. It also includes agendas, meeting processes, and board minutes. These practices vary from organization to organization and are determined in part by state laws, the specific needs of the organization, and preferences of board members.

Meeting Frequency, Length, Methods, and Attendees

The frequency of board meetings and their length, the methods board members use to meet, and the people who attend meetings all play an important role in effective governance. Boards should carefully consider these important practices and establish related board policies as appropriate.

Meeting Frequency

The frequency of board meetings varies from organization to organization. Many boards meet 10 to 12 times a year; others meet bimonthly, quarterly, or less frequently. In general, board meetings should be held when there is substantive business or strategic or generative work to accomplish. Other factors, however, should be considered when determining the frequency of board meetings. They include state laws, funder requirements, organizational life cycle, and board turnover. Most important, a board should meet with enough frequency to fulfill its fiduciary role.

State laws specify the minimum number of times a board must meet annually (Independent Sector & BoardSource, 2009). Government funders may mandate board meeting frequency. Some funders use meeting frequency as an indicator of board involvement; a common consideration in funding decisions.

Board meetings also serve an affiliative function; that is, they help board members to feel a part of the organization. Therefore, the boards of new nonprofits may need to meet more often to allow board members to get to know one another. In addition, when there has been significant turnover on the board, it may be advisable to conduct more frequent meetings for a period of time to foster group cohesiveness.

However, boards should avoid meeting for meeting's sake. Meetings that primarily or exclusively focus on information sharing are generally unproductive. Such meetings are a source of frustration for board members, which can lead to resignation. Fewer, focused, and productive meetings are recommended. When fewer meetings are warranted, efforts must be made to ensure that board members stay informed and connected between meetings. Alternative methods of information sharing such as mailing reports, sending e-updates, or posting information to a web-based board information portal can be used to keep the board apprised of ongoing activities and issues that do not require board input or action. When such information sharing mechanisms are used, procedures should be put in place for the timely distribution of information. In addition, board job descriptions and board culture should convey the expectation that board members will review materials disseminated between meetings.

Meeting Length

Meeting length should reflect the amount of time necessary to conduct the business at hand and to provide the board with opportunities for strategic and generative thinking (Chait, Ryan, & Taylor, 2005). Conducting lengthier bimonthly or quarterly meetings on a regular basis or scheduling an occasional extended meeting may be more productive than shorter monthly meetings. Longer meetings when structured appropriately allow more time for deliberation on complex issues.

When determining meeting length, time should be allotted for board socialization and networking purposes. In addition, holding an occasional event with an exclusively social purpose can strengthen the board's working relationship. Finding the right balance between work and social activities is important. The balance will vary from nonprofit to nonprofit and will change over time.

Meeting Methods

Consideration should also be given to the meeting methods boards use; for example, face to face and audio- or videoconference. Some boards are turning to alternatives to the traditional face-to-face board meeting, particularly when board members are geographically disbursed. Others may elect to use alternative methods to save time or money. However, facilitating and participating in alternate mode meetings can be challenging. A board should weigh the pros and cons of each method when deciding how it will meet.

State laws regulate whether nonprofit boards may use alternative meeting mechanisms. Some states require that board meetings be held with all board members meeting in the same place at the same time (Independent Sector & BoardSource, 2009). Therefore, nonprofits must determine if state law precludes them from conducting meetings via other means.

Meeting Attendees

Board meetings should be attended by all board members. The nonprofit's chief executive officer also typically attends each meeting. Staff members or other individuals acting in an advisory capacity may be invited to participate. Membership organizations may allow members to attend all or some of its board meetings. Under certain circumstances, state sunshine laws may require board meetings to be open to the public (Independent Sector & BoardSource, 2009).

When staff members attend board meetings, care should be taken to assure that staff members do not take over meetings and that staff opinions do not replace board deliberation, resulting in "rubber stamping." Finally, regardless of who is present at a board meeting, only board members have voting rights. This includes the CEO if she or he also serves as a member of the board.

Agendas, Meeting Processes, and Board Minutes

The substantive matter of board meetings and the processes used to conduct and record meetings influence board performance and ultimately the board's ability to advance the organization's mission (Axelrod, 2005). Therefore, nonprofit organizations should establish procedures for the development of board agendas, meeting processes, and the taking of board minutes designed to improve the board's efficiency and effectiveness.

Agendas

Agendas shape both the focus and process of board meetings. The primary purpose of board meetings is to make decisions around issues that impact organizational mission. However, board meetings too often consist of a series of reports resulting in little or no substantive work being conducted. Board agendas can address this problem by specifying what issues the board should focus its attention on during the meeting and what decisions need to be made (Robinson, 2008). Board agendas also play a key role in effective meeting management. When used appropriately, they help to keep meetings on track and on time. This reduces frustration over wasted time, which is a major factor in board member resignations.

In nonprofit organizations that have paid staff members, agendas are often drafted by the chief executive officer in consultation with the board chairperson. In organizations without staff, the responsibility for agenda development typically falls to the board chairperson or to the board executive committee. Regardless of who takes the lead in developing the agenda, the entire board should be consulted for input on agenda items.

Agendas may follow one of several format variations that include: traditional, consent, and strategic activities, resource planning, and operations. The following provides a description of these agenda types:

Traditional. The traditional agenda uses this common pattern: (a) review the agenda, (b) vote on minutes from the prior meeting, (c) present and discuss committee reports, (d) discuss old business and take action as needed, (e) discuss new business and take action as needed, (f) conduct an executive session as needed, and (g) schedule the next meeting. Some boards end with an evaluation of the meeting, which provides an opportunity for board self-assessment and organizational learning (Inglis & Weaver, 2000). Although this agenda format is widely used, it has a number of limitations. Most significant, this format often results in the board spending most of its time hearing reports and discussing operational issues, leaving little time for the performance of board's fiduciary and strategic responsibilities (Stoetz & Raber, 1994, as cited in Inglis & Weaver, 2000) and generative work (Chait et al., 2005).

Consent. An alternate agenda format designed to counteract the limitations of the traditional agenda is the consent agenda. This agenda combines routine and noncontroversial action items, which do not require board deliberation, into one overarching item for board approval. Its purpose is to prevent the board from spending time reviewing, discussing, and approving matters for which a consensus already exists, thus leaving the board more time for deliberation on substantive matters (Renz, n.d.). Consent agenda items must be sent to the board in advance of the meeting. Board members must be provided with sufficient supporting documentation to determine whether discussion is needed. If one or more board members wish to discuss the item, it must be removed from the consent agenda (Renz, n.d.). Consent agendas are followed by agenda items that require board deliberation and decision making. These matters should be listed on the agenda in priority order (Dambach et al., 2009).

Strategic Activities, Resource Planning, and Operations. Inglis and Weaver (2000) developed an alternative agenda format and board agenda tool based on findings from Inglis, Alexander, and Weaver's (1999) study of nonprofit boards. Their agenda focuses the board's work around three major categories: strategic activities, resource planning, and operations. Feedback from some board members who adopted this format reported an improved focus on agenda items related to board roles, better discussions, and enhanced communication (Inglis &Weaver, 2000).

Regardless of the agenda format that a board elects to use, it is important that (a) proposals for board action are identified before the board meeting, (b) board members are informed of the issues that will come before them, and (c) information needed to inform decision making is distributed in advance of the meeting (Dambach et al., 2009). In addition, agenda items should be limited to several high-priority issues. The amount of time spent on each should be commensurate with their relative importance and the complexity of the decisions to be made.

Meeting Processes

The board must enact meeting processes that facilitate the effective and efficient functioning of the board as well as meet applicable laws. Key meeting processes include: achieving a quorum, setting deliberation and decision-making procedures, and evaluating meetings.

Quorum

A quorum is the minimum number of voting board members who must be present at a meeting for business can be legally transacted. Typically, the organization's bylaws specify the percentage of board members present that constitutes a quorum. State laws define minimum quorum requirements. However, a board may be stricter about its own requirements and should establish its quorum at the highest level of attendance it can reasonably expect to achieve (Flynn, 2004; Independent Sector & BoardSource, 2009).

Before the board meeting begins the board chairperson or secretary should determine if a quorum is present. If the quorum requirement cannot be met, the meeting must be cancelled, and no action can be taken. In cases where one or more board members are delayed and a quorum is expected, the board must delay the start of the meeting until a quorum has been reached.

Deliberation and Decision Making Procedures

The board chairperson is responsible for facilitating meetings. The chair establishes the tone and pace of the meeting. She or he fosters discussion and deliberation and ensures that board decision-making processes, as stipulated in the organization's bylaws or policies, are followed. Many nonprofit boards have adopted the use of *Robert's Rules of Order* (Roberts, 2000) to manage meetings. The book, first published in 1876, was developed to serve as a guide for the use of parliamentary procedures in meeting bodies or ordinary societies.

Nonprofits are not required to employ Robert's rules. Given their complexity, boards often find them challenging to use. In addition, their tendency to prematurely shut down dialogue necessary for effective decision making makes their value for use by nonprofit boards questionable. Other boards use a consensus process for decision making. A consensus process encourages discussion and deliberation leading to a broader range of potential solutions. A traditional consensus model allows one board member to block a decision when he or she strongly disagrees. A modified consensus model allows for a majority vote when full consensus cannot be reached (Robinson, 2008). Consensus decision making requires a board chairperson with strong facilitation skills and can be time consuming. However, the benefits of a consensus process can easily outweigh these challenges (Robinson, 2008).

Regardless of the specific decision-making procedures selected, it is most important that boards create a "culture of inquiry" that fosters healthy debate (Axelrod, 2007). The norms of a culture of inquiry include "the capacity to explore divergent views in a respectful rather than adversarial manner" (p. 1). This does not mean, however, that conflict should be avoided. Productive conflict is necessary to foster generative communication among nonprofit board members (Jameson & Metelsky, 2009), which leads to generative governance through the reframing of issues that come before the board (Chait et al., 2005).

Executive Sessions

When the board needs to discuss confidential issues, it holds an executive session, a meeting or part of a meeting that is held without staff. Typically, all board members are present. Others who have information that is pertinent to the discussion may be invited to join the meeting. The meeting minutes should document that an executive session was held and the topics of discussion. However, details of the discussion and decisions made should not be recorded except in separate confidential board minutes. The organization's bylaws or board policies should outline the procedures for calling and conducting executive sessions (Dambach et al., 2009; Masoka, 2009).

Reasons for conducting executive sessions include: (a) performance evaluations and compensation decisions regarding the chief executive officer (CEO), (b) annual meetings with the auditor, (c) serious conflicts among board members, (d) reports by a management consultant, and (e) investigations into concerns about the CEO (Dambach et al., 2009; Masoka, 2009). When the issue to be discussed involves the CEO, he or she is excluded from the meeting. If the CEO is a voting member of board, she or he has the legal right to be present (Masoka, 2009).

Some boards choose to hold executive sessions several times a year or set aside part of each meeting for an executive session. This provides board members with regularly scheduled time to discuss sensitive matters and reduces the anxiety of CEOs and staff who expect bad news from executive sessions (Masoka, 2009).

Evaluating Meetings

To ensure that board members remain engaged and satisfied with board service, it is important to evaluate board meetings. Meeting evaluation is the responsibility of the governance committee, which typically works with in partnership with the board chairperson to review evaluation results and recommend changes as needed (Dambach et al., 2009). Meeting evaluation can be conducted as part of an annual board assessment. However, more frequent evaluations are suggested. Some boards evaluate each of their meetings.

Meeting evaluations may be conducted informally or formally. Informal methods include setting aside time at the end of each meeting for the board to discuss what worked and what didn't or having governance committee members follow up with individual board members by phone or e-mail a few days after a meeting. More formal mechanisms include paper or web-based surveys (Dambach et al., 2009). Formal interviews of board members that include an assessment of board meetings may be conducted as part of the board's annual performance review.

Decisions regarding how often to evaluate board meetings and in what manner feedback should be obtained will depend in part on time and costs. In times of board or organizational transition and when dissatisfaction with board meetings and board progress is expressed, evaluation should take place more frequently and in a more comprehensive manner. For further information on effective board meeting practices, see Herman and Renz (2000).

Meeting Minutes

Meeting minutes are the official record of what transpired at a board meeting. They identify when the meeting was held and who attended, and they provide an overview of what was discussed. Most important, minutes document actions taken by the board. The taking of minutes is typically the role of the board secretary. However, some nonprofit organizations delegate the task of taking minutes to a staff member. Regardless of who takes them, the legal nature of board minutes requires that careful attention is taken to ensure their thoroughness and accuracy. All board members have the responsibility to review the board minutes and address any errors or omissions.

The content and format of meeting minutes varies somewhat from organization to organization, largely because of organizationally defined expectations and individual preferences. Elements considered as essential for inclusion in quality board minutes are (1) the organization's name, (2) the date and location of the meeting, (3) the time the meeting began, (4) the names of the board members in attendance as well those who were absent (noting excused absences), (5) whether a quorum was present or not, (6) the names of staff members or guests in attendance, (7) reports or documents presented, (8) the motions made and who made them, (9) a brief overview of major discussions including dissenting opinions, (10) conflicts of interests on votes before the board and how the board member with the conflict handled the situation, (11) the outcome of votes taken, (12) the names of board members who dissented or abstained from the vote, (13) items for future action, and (14) the time the meeting ends (Flynn, 2004).

Minutes do not need to be word for word accounts of what transpired; however, the recording of decisions alone is insufficient for legal purposes. Minutes should document key discussion points and opinions for and against the matter under consideration. They should provide enough detail to make them readily understood, even by those who were not in attendance. However, minutes should not include the names or direct quotes related to debates to allow board members to engage in serious dialogue without fear of personal liability (Flynn, 2004).

Board minutes should be prepared and distributed to the full board for review prior to its next meeting. Ideally, they should be sent to board members shortly after the meeting date while meeting details are still fresh in the minds of attendees. The timely completion and review of minutes allows for their revision as necessary before they are voted on by the board at the following meeting. Once the minutes have been approved, they should be signed and dated by the board secretary and chairperson. Minutes should be placed on file and maintained in the organization's permanent archives.

In addition to their role as a legal document, board minutes can serve other important organizational purposes that include providing a history of the organization, serving as a mechanism for institutional memory, sharing information, fostering organizational learning, and supporting the orientation or new board members. The use of minutes for these additional purposes may require the recording of additional information, changes to traditional formats, editing, compiling data culled from the minutes, and analyzing minutes over a specific period of time. For further information on board meeting minutes, consult BoardSource (n.d.); Dambach et al. (2009); and Keenen (2007).

Summary

As noted at the start of this chapter, nonprofit organization governance is not "one size fits all." While there is no ideal board size, simple formula for board composition, a definitive board member job description, perfect committee structure, or a best way to run a board meeting (Robinson, 2008), nonprofit practice and research have led to the identification of best and evidence-based practices. It is important for nonprofit practitioners to stay abreast of such practices and informed on new legislation and regulations that may impact board decision making about these important issues.

Several organizations whose publications have been cited in this chapter are excellent sources for keeping up-to-date on these and other governance topics. They include: BoardSource (www.boardsource.org), Independent Sector (www.independentsector.org), and the Center on Nonprofits and Philanthropy of the Urban Institute (http://www.urbaninstitute.org/center/cnp/index.cfm).

Two peer-reviewed scholarly journals, *Nonprofit Management and Leadership* and *Nonprofit and Voluntary Sector Quarterly,* are highly regarded sources for the latest research on nonprofit governance and boards. *Voluntas: The International Journal of Voluntary and Nonprofit Organizations,* which has a global focus, is another highly valuable scholarly journal.

Finally, a number of practitioner publications provide the latest information on issues impacting nonprofit governance. They include: *The Chronicle of Philanthropy* (http://philanthropy.com), *The Nonprofit Quarterly* (www.nonprofitquarterly.org), and the *Philanthropy Journal* (http://www.philanthropyjournal.org).

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Differences in Boards Based on the Size, Age, and Type of the Organizations

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In considering nonprofit boards and research about them, as with most organizational structures, there is a tension between those scholars and followers who wonder why there are so many different forms of governance and those who wonder why there are so few. Clearly, this is partially a matter of perspective—how few is few?—but it is also a subject of interest to the social/managerial scientist. Under what conditions do organizational structures such as nonprofit boards come to look so alike? Under what other conditions do these same structures come to differentiate? As the title of this chapter suggests, we will be most interested in exploring how a nonprofit organization's size, age, and function/type help us to understand and predict the different (and similar) kinds of governing boards we find. This chapter will proceed as follows: We first explore the reasons nonprofits have boards, and why we should care about their composition. Next, we lay out the various kinds of differences that may exist across boards—this will first entail a review of what is mandated and what has evolved to become similar and quite diverse across boards. Then, we will explore how nonprofits themselves differ by age, size, and type/function, finally exploring if and how those differences impact variations in boards. We restrict our inquiry to boards of U.S. nonprofits but note that differences in boards across countries and cultures are a fascinating, if understudied, phenomenon.

Why Boards?

When folks think about the good—and sometimes, although rarely, the bad—work that nonprofits do, they're likely to associate that work with either the people on the front lines or the people at the top. Media coverage of disasters often includes reporting about volunteers and staffers of nonprofit relief and recovery organizations handing out water bottles, kitchen staples, clothing, and so on to needy recipients. Direct appeals and press releases sent out from nonprofits usually include the thoughts and words of the executive director, or maybe the chairman of the board. However, the rest of the board, and in some cases the whole of the board, remains somewhat separate from the public presence of the organization. Sure, the board is named in the annual report and maybe even on a page of the website, but the public persona of the nonprofit is most usually embodied by the executive director or particularly charismatic or personable staffers or volunteers. So what is this background board, why is it needed, who belongs, and why should we care about who is on it?

To answer that question, it may be useful to first think about what happens when something goes wrong organizationally. In the public or governmental sphere, when something goes awry in an agency, such as an office of disaster management, food safety, or child welfare, a director may be implicated. So, when a situation is bobbled, a member is caught in an illegal act, or a plan or proposal is deemed unworkable, it is often the director who is brought to task. In the end, however, if enough—or very powerful—agencies fail and enough directors are admonished and replaced, ultimate blame may fall on the elected officials who were responsible for the appointments. When that occurs, and local and national history is replete with examples of exactly these scenarios, general elections provide the public with an organ to exercise their supreme ownership of the process and therefore the offending agencies. The buck stops there—with the electorate. If organizational transformation is deemed necessary, the public, through their vote, can accomplish that change.

The government/public example stands in contrast to the example of the business corporation gone bad. Small businesses—usually sole proprietorships and closely held corporations—provide a starting and simplified example. When something is amiss in a small business, say, a "mom and pop store," the legal, financial, and finally governance responsibility lies with the actual business owners. This is the best argument for organizational incorporation. Although both unincorporated and incorporated business owners are ultimately liable, only the incorporated business owners are liable only up to the amount of financing that they have put into the business. This allows the small business owner and family to remain solvent and personally protected even though, in their role of business owners, they remain responsible and accountable.

This process is somewhat attenuated in the case of the large publicly traded corporation. In cases of corporate wrongdoing, such as disastrous strategic alliances, thoughtless expansions, and witless or offensive layoffs, the Chief Executive Officer (CEO) and his (it's almost always "his") strategic management team are only the first line of defense. The CEO is hired by and sometimes hires and serves the board of directors. The corporate board of directors, itself, nominally includes elected shareholder (owner) representatives whose overarching interest is in protecting the organization's stockholders. However, bad behavior by boards—including, but not limited to overly cozy relationships with unchecked CEOs, obscene CEO pay packages, even insider trading—can be further addressed. Disgruntled slates of underrepresented stockholders, relative outsiders with very deep pockets, or even leveraged management teams can battle for ultimate governance control of a publicly traded organization, where active takeover markets exist.

The nonprofit governance story is different again. Whereas public/government organizations ultimately answer to a voting public and for-profit corporations answer to classes of owners, the nonprofit organization answers to neither. Nonprofit organizations, either unincorporated or incorporated by the states, run by either executive directors/CEOs or hands-on boards of trustees, are neither owned nor elected/appointed. They operate under the auspices of their board of directors/trustees and answer, organizationally, to that body alone. States can revoke incorporation, the Internal Revenue Service (IRS) can deny or terminate tax exemption, yet a nonprofit can continue to operate as an unincorporated association accountable only to its board of directors (if it has one).

Now, nonprofits often need public resources in the form of donations, volunteers, or even goodwill in order to thrive, but the buck ultimately stops with the board of directors. For this reason, the nonprofit board of directors is a particularly interesting and study-worthy body. Who sits on these boards and the differences and similarities between boards in the sector, then, tells us a lot about the distribution of certain kinds of organizational power in the United States. Without voters and shareholders as an ultimate check on power, nonprofit boards may be seen to have even greater leeway to determine organizational trajectories than other organizational governance bodies. Who wields this power and through what structures are questions of interest for scholars in and out of the nonprofit sector. We start our inquiry with the question of how variable this structure and practice of ultimately unchecked power really is.

What Is the Same About All (U.S.) Boards?

All U.S. nonprofit corporations are legally obligated (like all corporations) to have a board of directors. Note that this is not necessarily an obligation for unincorporated associations, although it may well be best practice. Unlike all U.S. corporations, however, most nonprofits are not incorporated in Delaware but rather are usually incorporated in the state in which they were founded and as a result are subject to state (nonprofit) incorporation law. Fifty different state incorporation laws mean 50 different statutes dictating forms and functions of nonprofit boards. So while all boards of nonprofit corporations are legally mandated, the mandates may differ state by state. Let us not overstate nor understate these differences, however. It is worth briefly exploring 50 different laws to determine the commonalities and room for difference across nonprofit boards. According to BoardSource (1999), "Several states have statutes concerning some variation of these duties, which can be used in court to determine whether a board member acted improperly. These standards are usually described as the duty of care, the duty of loyalty, and the duty of obedience":

> *Duty of care* describes the level of competence that is expected of a board member and is commonly expressed as the duty of "care that an ordinarily prudent person would exercise in a like position and under similar circumstances." This means that a board member has the duty to exercise reasonable care when he or she makes a decision as a steward of the organization.

> *Duty of loyalty* is a standard of faithfulness; a board member must give undivided allegiance when making decisions affecting the organization. This means that a board member can never use information obtained as a member for personal gain but must act in the best interests of the organization.
>
> *Duty of obedience* requires board members to be faithful to the organization's mission. They are not permitted to act in a way that is inconsistent with the central goals of the organization or the laws that govern nonprofit activities. A basis for this rule lies in the public's trust that the organization will manage donated funds to fulfill the organization's mission.

Some of the similarities we find in nonprofit state incorporation law can be attributed to only two common sources for most of the states' laws:

> (1) the 1952 Model Nonprofit Corporation Act (MNPCA), promulgated by the American Bar Association (ABA) and currently adopted (with amendments) in twelve states and the District of Columbia, and (2) the ABA's 1988 Revised Model Nonprofit Corporation Act (RMNPCA), closely related to, or adopted by, the law of twenty six states. (Malamut, 2008, p. 8)

These common sources nevertheless allow for slight but meaningful differences as state laws have evolved.

In one instance, according to a 1999 BoardSource e-book, perhaps the definitive guide to nonprofit organization self-starters, every state has different regulations that determine the minimum size of the board. The website Legalzoom.com confirms that most states require a three-director minimum, but some states require only one, including California, Colorado, Delaware, Georgia, Iowa, Kansas, Michigan, Mississippi, Nevada, New Hampshire, North Carolina, Oklahoma, Oregon, Pennsylvania, Virginia, and Washington. The website continues,

> Every non profit corporation must have a president, treasurer and secretary. In some states, one person can hold every office. In others, one person can hold up to two offices, but cannot be both the president and the secretary. The states where one person may hold every office include: Arkansas, Delaware, Florida, Georgia, Iowa, Illinois, Hawaii, Kansas, Kentucky, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Hampshire, New Jersey, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, Utah, Virginia, and Wyoming.

In California, for instance,

> You must have at least one director for your nonprofit public benefit corporation; you must state the number of directors in either the articles of incorporation or the bylaws of your non profit public benefit corporation; directors do not have to reside within California, nor do they have to be of a certain age; and under California law, no more than 49 percent of a board of directors may be interested persons. An interested person is a director who provides nondirector services to the nonprofit public benefit corporation and is paid for the ser vices rendered. The law also extends to cover any close rela tive of the director. (Citizen Media Law Project, n.d. a)

Contrast that to Florida's much briefer rules: "You must have at least three directors, age eighteen or older, for your nonprofit corporation; directors do not have to reside within Florida, nor do they have to be of a certain age" (Citizen Media Law Project, n.d.-b), or the curious case in Michigan, whereby, "directors may be sixteen or seventeen years old, but the nonprofit corporation then faces certain requirements on quorum and the articles of incorporation" (Citizen Media Law Project, n.d.-c).

Legal Responsibilities and Beyond

It is interesting to note that the BoardSource (1999) e-book, counsels that beyond the legal requirement of all nonprofits to have a board, the board "is responsible for the ultimate governance of the organization and has legal, fiduciary, and ethical responsibilities . . . the board holds the ultimate decision-making powers for the organization," which is a clear suggestion of similarity (p. 5). However, a few lines later, the BoardSource e-book continues, "Although boards have specific legal responsibilities, there is also room for each board to define its roles and area of focus based on where the organization is in its life cycle" (p. 5). Underscoring this theme of board variation, the e-book continues, "The answers to the next few questions are 'It depends.' The board's composition, role, and frequency of meetings all depend on what the board needs to do—for this organization at this point in time [emphasis in original]" (p. 6). We will look further into how type and time (age) of organization help determine the board's makeup, function, and practices, after first highlighting the ways (beyond legal) that boards can vary.

What Kinds of Nonlegal Differences Distinguish Boards?

Board Composition

According to Ostrower and Stone (2006), board composition has dominated the growing nonprofit board literature at least since 1987, when Middleton (1987) first surveyed the research literature. As Abzug and Simonoff (2004) have argued, in the nonprofit realm, there is a literature that assumes that when the right components are assembled, be they compositional or structural, organizational effectiveness will follow. As such, who sits on a board does matter (Ostrower & Stone, 2006), and boards that "look" different might perform differently. So just how and in what ways are boards composed differently?

Demographic Differences

Certainly boards look different as a result of demographic composition. A large literature suggests that board and organizational legitimacy in demographically diverse environments may be related to relative demographic diversity in board composition (see, e.g., Abzug and Simonoff, 2004). Reviewing the extant literature, Abzug and Simonoff (2004), and Ostrower and Stone (2006) all seize on gender, race and ethnicity, and class as key demographic differences of board members. Both metastudies review scores of individual studies that either look to understand the factors behind these board demographic differences or posit ways in which these differences impact governance and organizational practices.

Professional/Occupational/Expertise Differences

Yet, demographic differences are not the only potential differences in board composition. Indeed, Abzug (1996) has divided the board composition literature into, at least, the studies of board demographic composition (focusing on ascriptive characteristics and board members' professional or occupational prestige) and status attributes (focusing on achievement and elite characteristics). As such, boards can be racially homogenous yet widely diverse in terms of educational achievement. Alternatively, board members can be ethnically and gender-wise diverse, yet strikingly similar in terms of the quality and quantity of their networks. In a 1987 survey of the extant literature on board composition, Middleton underscores the point that the important boundary-spanning functions of boards are often performed through the interorganizational linkages that board members' organizational and community affiliations provide. She notes, therefore, that the "composition of nonprofit boards is a particularly important aspect from which to examine interorganizational linkages" and that as a result, there are two perspectives from which to look at composition (Middleton, 1987, p. 144). One perspective is the diversity of external organizations represented on the board, and the second is the range of social group memberships of the board. Both perspectives lead to compositional differences among boards and suggest that there are numerous ways to measure the heterogeneity of nonprofit boards.

Board Structure

As noted above, board composition studies have dominated much of the recent research on boards of directors, but they have not entirely crowded out studies focusing on the other ways that boards differ and their consequences. Even in their early reviews and studies, Middleton (1987) and Abzug and Simonoff (2004) recognized that board structural differences might also be important as characteristics. Indeed, degree of hierarchy, democratic nature, officer and committee setup, even board size, might all influence the way that opinions get expressed and decisions are reached by boards. Middleton (1987) makes an explicit connection between board compositional diversity and structural diversity when she states that "the structure of the board—that is, its officer positions and committee—also influences the degree to which diverse opinion are expressed" (p. 148). Middleton further notes that boards may differ based on how well they have developed their formal structure as well as their use of that structure in decision making. This leads us to yet another way in which boards may differ—practices and policies.

Board Functions/Roles

While broad governance policies and practices are either laid out in or implicit in state law that codifies the standards and functions of the governance role, within those broad mandates are many avenues for differentiation. Again, a whole literature has developed to explore differences in board practices. Some studies seek to understand differences in the likelihood of boards' success in achieving their prescribed responsibilities, whereas others focus on the differences in how boards interpret their responsibilities. Some of the earlier studies in this vein sought to delineate different types or categories of boards based on their different roles/functions. So, for example, in a 1990 book, Mathiasen suggested that boards, over their lifecycles, took on one of three forms: organizing board, governing board, and institutional board. In 1992, Wood suggested that boards have three operating styles: (1) ratifying or rubber-stamping executive's policies, (2) corporate or working with organizational executives, and (3) participatory or operating independently of executives. In delineating different nonprofit board roles, almost all of the studies seek to center the variations in the relationship between the board and the CEO/ED.

In summary, while boards may share similar legal mandates as well as compositional, structural, and functional forms, they may also differentiate in ways both subtle and stark along all of these dimensions. Predicting how similar versus how different boards may become is the theme of the next sections of this chapter.

Independent Variables

As Abzug and Simonoff (2004) note, we care deeply about differences in board structure, composition, and function/role because, as Middleton (1987) has suggested, these are all important factors determining organizational internal relations, environmental mediation, and quality of governance. As such, these board differences may be construed as dependent variables, leaving us to consider what, then, predicts/explains how boards got this way (Abzug & Simonoff, 2004).

The question before us is the extent to which the board variation described in detail above is based on, determined by, or correlated to the organizational characteristics of size, age, and type. Researchers of all organizations are well advised to consider these characteristics before making sweeping generalizations about patterns in any organizational structure. Practitioners may also find that beyond providing prescriptions for best practice, these characteristics also provide structural limits and boundaries.

Size of Organizations

In a 1988 study, Aldrich and Marsden stated that of all organizational characteristics, size is "the most important correlate of diversity in organization structure" (p. 373). Indeed, in 1976, Kimberly did a meta-analysis of all previous organizational studies that sought to explore the relationship between organizational size and organizational structure; he found more than 80 scholarly studies up until that point. Conveniently, for our work on nonprofits, Kimberly found that the most common measure of size in the literature is the number of employees—a measure with relevance for third-sector organizations. Kimberly's meta-analysis found that most studies of size and structure found size to be exogenous—causing other variables (for instance, structure) to assume particular values. In the end, the value of Kimberly's early work in informing our own is his notion that there are three basic levels of analysis in which size may be important. Most relevant for us is the first, primarily internal, level, which draws attention to implications of size for transactions within the organization—governance, in the present case.

This leads us to generalized organizational theory, which holds that the greater the number of employees, the greater the problem of social control and finds a generalized positive relationship between size and formalization. From this, we might expect that smaller nonprofit organizations, especially, perhaps, those underneath the $25,000 budget IRS reporting threshold, might have different internal/governance structures than larger organizations. Also, we might expect that the organization (perhaps a university or a hospital) that employs thousands of people may need to be governed differently from the organization (perhaps a start-up cultural or preservation society) that has just hired its first professional executive director.

Age of Organizations

Closely tied, theoretically, to size of organizations as a contextual variable is age of organizations. A large degree of the explanatory power of age of organizations is likely tied up with increasing size of organizations over the life cycle. Yet, age exerts its own independent predictive power. Much of the research on the effect of age as an independent variable can be traced to pioneering work by Stinchcombe (1965), who, noting the unique problems of new and young organizations, laid the theoretical groundwork for the liability of newness concept. In a well-known study, Stinchcombe has argued for the importance of time imprinting on organizations, beyond the impact of age itself. He argued that the founding blueprints of organizations are heavily dependent on environmental influences at that time and shape organizational internal structures. Johnson (2003) has expanded that theme, suggesting that founders act as cultural entrepreneurs who draw on temporally available organizational repertoires and genres to animate new enterprises. These repertoires and genres may then influence the organization's structures over time. In the case of nonprofit boards, researchers have sought evidence for a mythical "golden age of trusteeship" before the world wars and a more dynamic sectoral growth engine from the 1960s civil rights era forward (Abzug & Simonoff, 2004; Hall, 1992). Putting this altogether, we can argue that it is not just young or old organizations that might share common internal/governance structures, but particularly, old organizations all founded around the same time or young organizations all recently founded.

Type of Organizations

Along with the difficult-to-separate concepts of size and age, other contextual characteristics of organizations have been shown to be predictive. We next focus on one of the consistently most studied. The dean of organizational strategy researchers, Michael Porter (1981) has long argued for the importance of "industry" in predicting firm performance. Much scholarship has followed in this vein, thus anointing "industry" or "organizational type" as an independent variable with tremendous predictive power. Theorists of nonprofits have picked up on this theme by using National Taxonomy of Exempt Entities (NTEE), IRS designation, or subsector categorizations in place of industry designation. Whichever way organizational type is delineated, its predictive power over everything from performance to internal structure has been well documented. Indeed, Abzug and Simonoff (2004) argue that industry, as both arena of negotiation of normal practices and arbiter of competition for revenue, will be a prominent predictor of board structure and composition. Again, we may not be surprised to find board compositional or structural differences between organizations that, say, use volunteer labor to provide food and shelter to homeless families in local communities and organizations that hire scores of curators, preservationists, and security guards to enable the public's exposure to great works of art. It is probably not a big stretch to imagine that the boards of local YMCAs and YWCAs may look rather different from the boards of local symphony orchestras or rape crisis centers. Organizational diversity comes in many flavors, and so we might expect board diversity to follow.

In sum, much past organizational research has pointed to the predictive power of organizational size, age, and type on internal organizations structures. Our next step is to present the results of the studies that have looked at the predictive power of these characteristics on the demographic, structural, and procedural differences in boards outlined above.

What We Know About the Role of Size, Age, and Type of Nonprofit Organizations Regarding Differences in Boards

Our foremost finding, repeated over and over, is that there is no "one size fits all" board, even when holding contextual variables constant. Although some patterns have emerged over time, as we discuss below, the overwhelming empirical finding is that boards find individual compositions, structures, practices, and policies to best suit their environments, missions, and visions. When they don't, organizational failure sometimes follows, except, of course, when it doesn't.

Size, Age, and Type of Nonprofit and Board Composition

The largest historical study of nonprofit boards of trustees, the "Six Cities" Project administered by Yale University's Program on Nonprofit Organizations (PONPO), concluded that, for our purposes, the important influence of time period (age) and industry/subsector cannot be overstated in understanding differences in nonprofit governance (Abzug & Simonoff, 2004). Specifically, Abzug and Simonoff (2004) conclude that (a) "boards of trustees, as boundary spanners, were more gender and racially diverse in later time periods than in the earliest time period," suggesting that younger organizations in current times may well start out with more demographically diverse board members; and that (b) industries (organizational types) that are less closely aligned with the public sphere's concerns for social justice (such as Junior Leagues and elite cultural organizations) would exhibit less demographically diverse boards. Ostrower and Stone (2006, pp. 615–616) sum up a host of smaller scale studies with the observations that "organizational size and field of activity are two apparent sources of . . . variation, with women more likely to serve on the boards of smaller and less prestigious nonprofits;" "boards are overwhelmingly white," and "studies consistently find that trustees are drawn from higher socioeconomic groups." Their review of studies clearly points to prestigious art boards as preserves of board members with elite affiliations, along with United Ways, in comparison to YMCAs or YWCAs. Still, a consistent theme that runs through the Ostrower and Stone (2006) review is that

> in terms of understanding board heterogeneity, we will need to expand our research to include additional types of institu tions. In particular, we know very little about boards of smaller, community based organizations. While such boards may be similar to those of larger organizations, they may also be radically different in some way, forcing us to rethink and refine current assumptions. (p. 624)

We can discern any number of hypotheses about particular ways that size, age, and type (industry) of organization might influence or covary with gender, age, race/ethnicity, professional/occupational identity, or even eliteness of board members, as the research in this field is quite nascent. We might also suggest that variables such as location—region of the country or urban/rural setting—may also play a predictive role in board composition. We also have every reason to believe that these same independent variables might also covary with the structures of nonprofit governance.

Size, Age, and Type of Nonprofit and Board Structure

Although there are many prescriptive volumes on setting up/structuring nonprofit boards, little empirical research has explored the variations in these structures. Perhaps, the prescriptive literature has been so successful that there is so little variation in structure as to make the topic relatively uninteresting to the research. Alternatively, the few studies may be a signal that the field is ripe for the researcher. For instance, looking at the structural variable of board size, Abzug and Simonoff (2004) concluded that health, Junior League, and community foundation boards tended to be relatively small compared with culture, United Way, and higher education boards, which tended to be larger. This suggests that there may be very interesting board and board committee structure variation by organization size, age, and type, if only researchers were to look. We might be curious to know, for instance, if boards of larger organizations are both larger and have more committees than boards of comparatively smaller organizations. Would boards of financially larger organizations be similarly structured to boards of organizations that are large in terms of employees or clients served? Do boards of "younger" organizations have more newfangled committee and other structures than "older" organizations, which have been consistently structured for decades, if not centuries? What other board structures are both variable across organizations and of great enough import to warrant systematic study. Further research in this field will help to answer these questions. In the meantime, we turn to other ways in which boards differ—in this case, role and function—and the ways that size, age, and organizational subsector might influence that difference.

Size, Age, and Type of Nonprofit and Board Function/Role

So how do organizations come to differ in nonprofit board role/function? If we narrow board function/role to the relationship between the board and the CEO/executive director, we have some historical studies to guide our comprehension. In terms of board function/role as defined by the board/CEO relationship, Ostrower and Stone (2006) report that past research suggests these relationships vary by age of organization, where younger nonprofits are more likely to be dominated by the board; and size of the nonprofit, where larger nonprofits are likely to be dominated by their CEOs. However, we are still awaiting an influx of studies that try to contextualize the function/role differences in boards that we have seen prescribed in the practitioner-oriented literature. So, for example, we will look forward to studies that explore how organizational size, age, and type covary with board policies (adoption of codes of conduct, conflict of interest, term-limits, etc.), board practices (number and scheduling of meetings, hands-on versus policy-setting activity, financial and executive oversight activity, etc.), and even board roles (rubber stamping, policy setting, talking heads, etc.). While we expect diversity across organizations, we also expect to find at least some patterns that may be dictated by organizational size, age, and type.

Who Decides?

Now we know that boards can be quite diverse—or starkly similar—in their demographics, professional/occupational/expert makeup, policies, practices, and roles, based at least in part on the organization's size, age, and occupation. But who gets to put the pieces together and opt for that diverse (or homogenous) board that does or does not reflect or adapt to the organization's environment? While boards come together in many ways, the literature on life cycle (see, e.g., Mathiasen, 1990, and Wood, 1992) suggests that the two main starting points for composing a board are the founding board members themselves and/or the executive director/CEO. Nonprofit boards are usually considered "self-perpetuating" in that they can legally opt out of voter-determined democratic transitions of power, favoring, instead, direct board member replacement. Many nonprofit boards have nominating committees designed to determine board personnel needs, then recruit, appoint, and orient new board members, all within the confines of the board itself. Such self-perpetuating boards may be interested either in direct replication or in purposeful diversity (and all shades in between). In the instance of direct replication, nominating committees or other board structures designed to accomplish similar tasks may replace outgoing board members such that new board members come to look very much like extant board members. The similarities can be based on, at least, demography—all female boards driven by mission to remain all-female—or profession/occupation/expertise—medical personnel board members of health organizations may opt to recruit more medical personnel board members as terms expire. Alternatively, boards may be interested in diversifying their ranks, demographically based on changing communities, clients, or even funder expectations, or by profession/occupation/expertise, based on changes in legal and task environments. In any case, the current board determines the composition of the future board, with the size, age, and type of organization playing a limiting role. The self-perpetuating board can also be the genesis of board policies, practices, and roles that conform or not to prevailing organizational size, age, and industry norms.

Yet, again, depending on the organization's size, age, and type, a self-perpetuating board may not be so empowered as to replace itself. For many nonprofit organizations, board development begins and ends with a relatively powerful executive director. Whether through founding by a strong executive or through crisis or peaceful transition to a strong executive, many nonprofit organizational boards are constructed to support, defend, or protect the director. Even in these cases, the executive director can choose to keep a board relatively homogeneous based on demographics, expertise/skills, or even loyalty to the director. Or the executive director can decide, based on outside demands, to diversify the board to best suit him- or herself or the organization's environment. The executive director, as a result of the influence of community, consultant, or funder, may also initiate board policy, practice, or role transition. All of this director-initiated activity may still be delimited by exigencies of the organization's size, age, or industry/subsector. Board diversity or its opposite, then, can come out of a self-perpetuating board, or even more likely, out of a motivated executive director.

Further Prescriptions for the Care and Feeding of the Nonprofit Board

To the extent that an organization's board is diverse—relative to other organizations, relative to the communities in which it resides, relative to itself years earlier—how can those diverse voices/opinions be harnessed to work together for the good of the organization and the community/population that it serves? Obviously, the organization must consider in which ways the board is diverse—whether demographically or professionally/occupationally/expertise-wise. As with any diverse group, diverse nonprofit boards may not be diverse on all dimensions. Board chairs, executive directors, nominating committees, board development committees, or anyone else responsible for board orientation can start a board member's orientation with that which all board members should share—a passion for the mission. For no matter how diverse the board, its work should be dominated by what brought them together in the first place—the care and feeding of the organizational mission. The conscientious board leader will find a way to balance the shared organizational goals of the diverse board members with each one's unique perspective/stance and skills/expertise. Team-building exercises should be proportional to individual contributions by divergently situated board members depending on the needs of the organization. Yet again, some of those very needs may be a product of the organization's size, age, and/or industry/subsector.

Summary

We end where we began. Nonprofit boards may be seen as strikingly similar; research suggests the dominance of prescriptive models, limited legal mandates, and relative racial homogeneity, for instance. They can also be quite different in terms of their composition, structure, and function, although research on all but composition is sparse. The responsibility for some of these differences may come down to the self-perpetuating boards themselves or empowered executive directors. Some of the differences may, indeed, be based on the size, age, and type of organization in question, although much more research needs to be done before we will feel comfortable identifying empirically robust patterns beyond the "no one size fits all" admonition.

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Board and Staff Leadership Roles

Theoretical Perspectives

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The title of this article implies at least three things: (1) that board and staff have different roles in the nonprofit organization setting, (2) that some theory or theories exist to explain the difference, and (3) that both board and staff have a role in organization leadership. Since other articles in this publication deal explicitly with executive leadership in the nonprofit setting, the focus here will be essentially on the board's leadership role in the board–staff relationship.

Intuitively, it is generally assumed that board and staff have different responsibilities, but the difference between those functions may not be always clear in experience. In many smaller *workgroup* organizations, the board itself has to pitch in and do the work of a small or even nonexistent staff. In that case, the same people function as both board and staff. But even in some larger, and presumably more sophisticated, organizations, the board seems to function as a kind of supermanager—duplicating the work of staff (presumably at a higher level) or inserting itself obtrusively in staff work by micromanaging. In effect, distinct lines between board and staff responsibilities become blurred.

At the other extreme, in trying to avoid micromanaging, the board may take a principled hands-off approach, seeing its function as merely hiring a CEO and giving that position free rein. In such a case, the board may run a very real risk of abdicating its responsibility, not only for the organization's effectiveness but also even for its legitimacy and acceptance by the public. The end result of this minimalist approach to the board's role can be disastrous, both for the organization itself and for the people it was created to serve. A classic example, though by no means the only one in recent years, is the United Way in the early 1990s. When its national director was dismissed for financial impropriety, the organization lost millions of dollars in donations, its credibility with donors, and the ability to serve the people depending on it for service.

The problem for understanding board and staff roles poses two questions: (1) how to determine distinct roles for board and staff so that each has a clear job description; and (2) once the difference is clear, how to engage board and staff in complementary fashion for organization leadership. Both questions are important.

On the first question, the most important theoretical work on defining and delimiting the board's job description has been done by John Carver in his development of *policy governance.* Governance, says Carver, is the clear responsibility of the board and is the foundation concept for its job description. In an extensive series of books, articles, and media presentations from 1979 on, Carver has articulated a theoretical model of policy governance. The key publication is *Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations*, now in its third edition (2006).

Theoretical work on the second question is more the focus of writing and consulting by associates of BoardSource, a resource for information, consulting, training, and leadership development for board members of nonprofit organizations. Getting board and staff to function as a *leadership* team is the theme of *Governance as*

Leadership: Reframing the Work of Nonprofit Boards by Richard P. Chait, William P. Ryan, and Barbara E. Taylor (2005). All three authors have extensive careers as nonprofit administrators, authors, and consultants. In their view, delineating the roles and responsibilities of board and staff may be a good place to start, but it does not ensure board effectiveness. Rather than the roles and structures for board and staff interaction, they focus instead on "modes of managing and leading" (p. 27).

The two questions above—(1) about the job definitions of board and staff, and (2) about the actual collaboration of board and staff in effective leadership—provide the framework for this article. The work of John Carver deals with the first question, the work of Chait, Ryan, and Taylor with the second. These two works can provide a foundational starting point for understanding board and staff relations at a more theoretical level. The presentation of their theories here will use extensive quotations from the two books to let the authors speak as much as possible in their own voices.

Board and Staff: Determining Different Roles

For John Carver (2006), the problem with nonprofit organization leadership is confusion about the role of the board. He is hardly modest about the intention of his work:

> This book is not about making incremental improvements in boards. . . . My intent is to explain a compelling logical, philosophically founded yet completely practical approach to every governing board's job, one that makes it impossible ever to think of boards the same way again. (p. 6)

The key to distinguishing the functions of board and staff is the concept of governance. In the nonprofit setting, the purpose of governance is to "ensure, usually on behalf of others, that an organization achieves what it should achieve, while avoiding those behaviors and situations that should be avoided" (Carver 2006, pp. xvii–xviii). Governance is the ultimate responsibility of the board, while the responsibility of the staff is management. In developing a theory of governance, John Carver provides a powerful and useful framework for delineating the distinct responsibilities of board and staff.

Rather than seeing the nonprofit board's job as a function of *management*, Carver sees it first and fundamentally as one of responsibility for *ownership.* In the case of a public equity corporation, it is clear that the shareholders are the ultimate owners of the organization, with the role of the board being to represent the shareholders and to be accountable to them for the financial effectiveness of the firm. But when we ask the question, who owns the nonprofit organization, the answer may be less immediately obvious. Carver argues that in the nonprofit setting, it is the community being served that is the ultimate stakeholder. The nonprofit board exercises *moral ownership* on their behalf and is accountable to that community for the effectiveness of the organization.

The ownership question is indeed theoretical in nature, but it has very practical consequences. Two examples from empirical research and case study illustrate the importance of taking seriously the question of moral ownership.

Example 1. In a study of 12 nonprofit organizations in New York and Connecticut, Judith Millesen (2005) asked the question, to whom is the board accountable? The president of one small social service organization said "the board was accountable to 'no one'" (p. 12). Only three of the organizations could provide a coherent answer. But in those cases where the board recognized its accountability to a community outside itself, that sense of moral ownership led the board to recognize its governance obligation on behalf of its clients and to explicitly include their interests in its decision making. In one instance, a board opted to continue a money-losing program (over the objection of a board member) because it was so critical for the community "owners" of the organization (p. 12).

Example 2. In a classic article, "Why Are We Replacing the Furniture When Half the Neighborhood Is Missing?" Gus Newport (2005) points out the organizational wisdom in a question phrased by a foundation trustee on a site visit to consider a grant to a community organization:

> On seeing a map of the area, one of the trustees inquired what all the dark spaces were. "Abandoned lots" was the reply.
>
> The trustee's response: "We come out here to replace some worn furniture when half of the neighborhood is missing?" (p. 36)

The question led to a far more in-depth assessment of the needs of the community based on interviewing and listening to residents themselves. As a consequence, community voices were included on the board and an action agenda formulated that enlisted both city and pro bono professional support for a whole new urban plan. What was the result?

> To date, vacant lots have been transformed into over 440 new homes, a town common, gardens, urban agriculture, parks and playgrounds, and 500 housing units have been rehabbed. (Newport, 2005, p. 38)

In this case, the organization's board did more than simply listen to its community owners. It transformed the organization itself, with spectacular results.

Carver (2006) says, "The importance of the owners-to-board link is so great that the proper board job is best described as ownership one step down rather than management one step up" (p. 6). The board's real job is to make sure that the organization is achieving the purpose for which it was created, that is, to be always focused on the following questions: What is this organization for? What difference does it make? (p. 90). In terms of program planning, it should be asking, why are we doing this, rather than, how can we do it? Getting this principle right helps the board understand its relationship to staff. Even though they may be volunteers, board members are there not merely to *help* the staff, but to "own the business" (p. 25).

In Carver's model, the board exercises governance over the organization through its control over and articulation of *policy*. Every organization begins with a set of values and perspectives, which the board translates into action through policy directives. The board's policy work presents "the most powerful lever for the exercise of leadership" (Carver, 2006, p. 41). Carver says,

> Directing an organization can be like rearing a child. Controlling every behavior is a fatiguing and impossible charge. Inculcating the policies of life is far more effective, and . . . it is the only serviceable approach in the long run. (p. 42)

If it wants to "lead the parade," the board must take responsibility for setting its own agenda rather than simply reacting to staff initiatives. The board's work of policymaking is both "preliminary and predominant" (Carver, 2006, p. 46). The focus on policy allows the board to direct the organization by its focus on the implementation of values rather than the details of administration. This essential job design for the board allows it to control what goes on inside the organization, while remaining outside the arena of staff work. Carver acknowledges that "policymaking does not constitute all of a board's job" (2006, p. 47). But it is the central function that gives the work of the board both power and coherence.

Carver insists that serious policy work must be stated explicitly, clearly, and briefly. It should not be buried in dusty policy manuals but must be constantly updated and readily available in the board's continual agenda setting. Further, in order for policies to actively guide the board's leadership, they must be logically related and consistent. Carver conceives of policies at successively more specific levels, using the image of a set of nested mixing bowls (Figure 57.1). The larger scope policy statements are on the outside, containing and controlling more specific policies on the inside.

Second, Carver (2006) posits that all board policymaking can and should be categorized under one of four global headings: (1) "Ends"—the stated purpose of the organization, what results it intends to achieve, for whose benefit, and at what cost; (2) "Executive Limitations"—the boundaries—both of ethics and prudence—within which the staff is expected to employ means to accomplish the organization's purpose; (3) "Board-Management Delegation"—the manner in which authority is delegated to the executive and staff of the organization and the manner in which executive performance is reported and evaluated; (4) "Governance Process"—the board's own self-governance—specifying how it represents the ownership, disciplines itself, and exercises leadership in the organization. In the model, all board policies fall into one of these categories. Together, they can be graphically represented in what Carver calls the

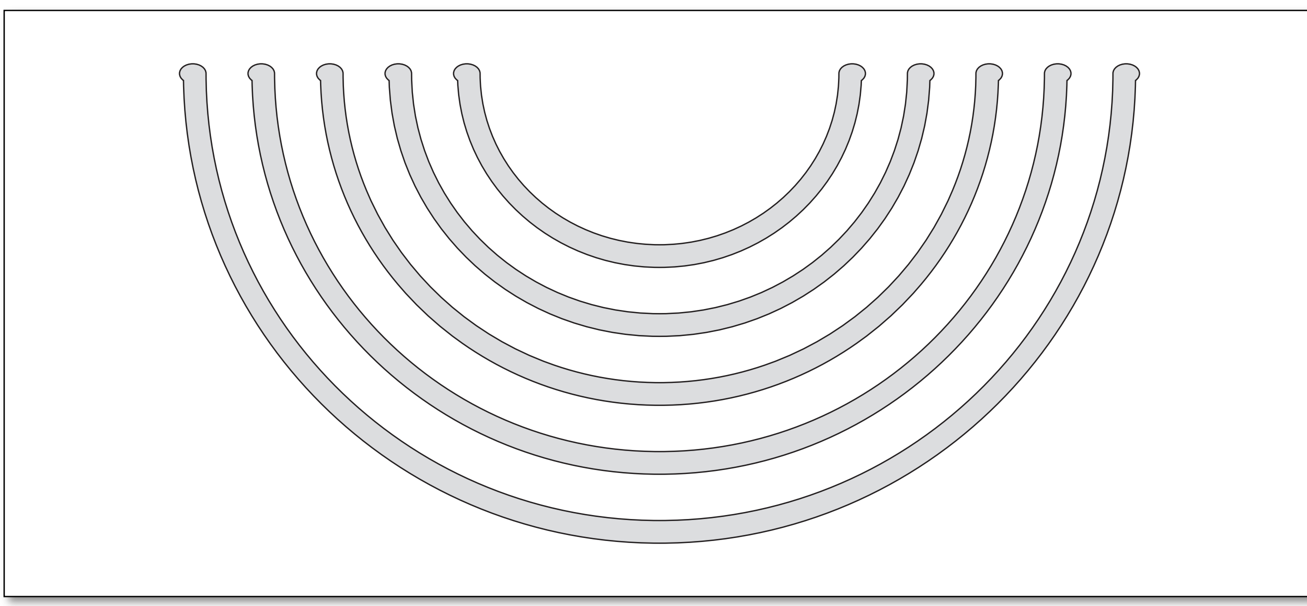

Figure 57.1 A Nested Set of Policies

SOURCE: Carver, 2006, p. 63.

NOTE: Smaller issues fit within larger issues, as smaller bowls fit within larger ones. The entire set can be controlled by handling only the outermost bowl.

"policy circle" (see Figure 57.2). For Carver, "*policy development is not an occasional board chore but its chief occupation* [italics in original]" (p. 72). By being proactive on the broadest issues, the board is able to avoid the critical governance mistake of merely reacting to events or staff initiatives and reports. Through its articulation of and ongoing dialogue about policy, the board actually *leads* the organization.

Ends

"The most important work of any governing board is to define and redefine the reason for organizational existence" (Carver, 2006, p. 79). This is a far more demanding and all-inclusive task than simply saying the board should support the organization's mission. In Carver's model, focusing on the organization's purpose is a perpetual obligation—one that permeates everything the board does. The global ends statement articulates the fundamental purpose of the organization, the results by which it makes a difference in the world. This statement may differ from the traditional mission statement. It is more technical in nature by specifying organizational results in terms of cost, benefits, and beneficiaries. Important in Carver's thought is that the "ends" statement does not include the means by which the ends are to be accomplished but focus clearly and only on the results to be expected from the organization's action. Carver also insists that his concept of the ends or means distinction is different from the language of "goals and objectives" because those terms can be applied to either means or ends. Likewise, the term *strategy* typically includes both ends and means. Ends are results; everything else—programs, services, even staff morale—are means and should be excluded from this policymaking area.

The board's perpetual focus on ends, on achieving results, flows from its moral ownership obligations. It must be constantly in touch with the external environment of the organization, taking a viewpoint outside and above the organization itself. The board must resist the "captivating allure of organizational events and issues," which can occupy the board's full attention. "The ends concept prevents righteous busyness from becoming just as meaningful as results, or perhaps more so" (Carver 2006, p. 85).

The board's work of evaluation is founded on its articulation of *ends* policies. When the board knows what it wants to achieve, it is then able to ask whether the organization's activities are successful or not. In the business context, results based on profit and loss are theoretically much easier to evaluate; business programs either make money or they don't. In the nonprofit

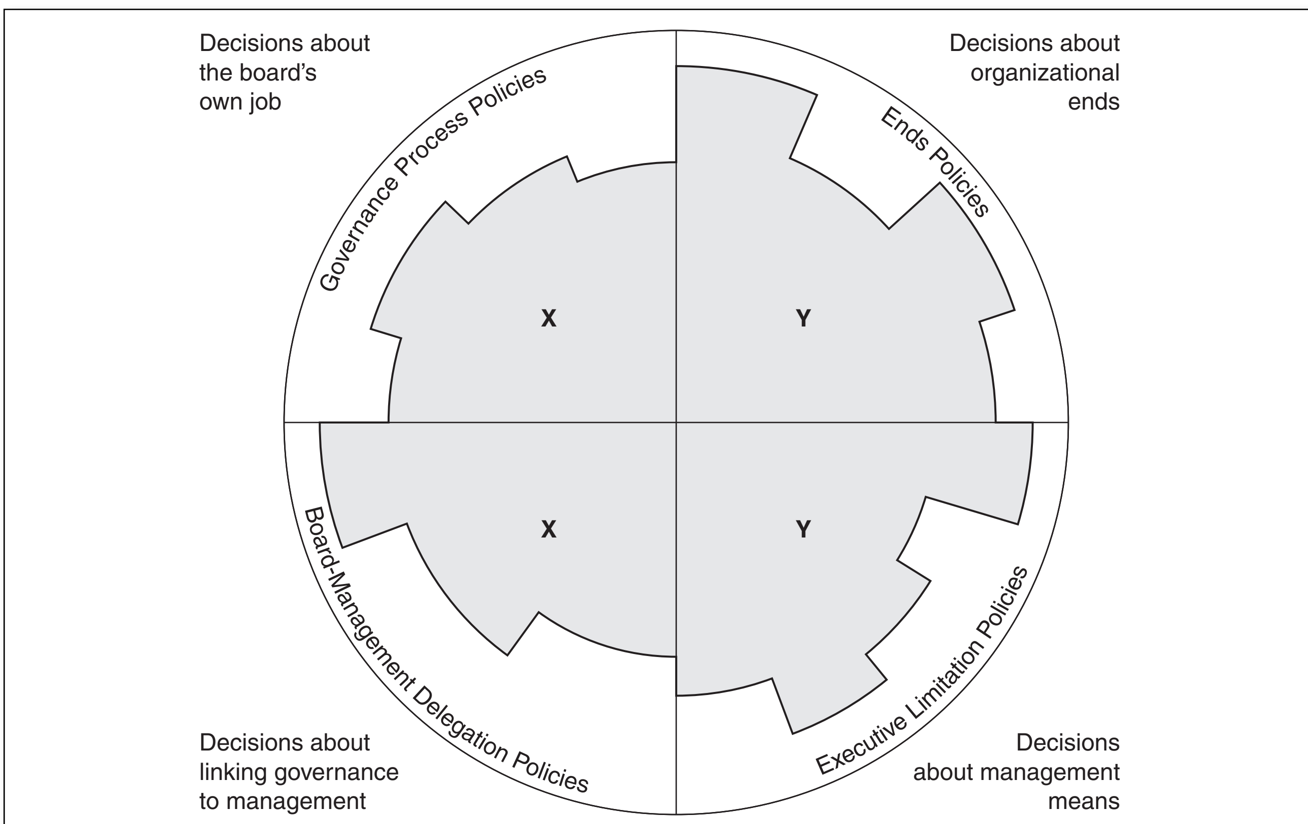

Figure 57.2 Board Policymaking

SOURCE: Carver, 2006, p. 74.

arena, evaluation is typically more difficult conceptually, since the market (even though it may play a strong role in such nonprofits as hospitals or educational institutions) is not the final factor in judging whether or not a program or service is worthwhile. Ultimately, the board has to answer the simple questions: "What did we want to accomplish? Are we achieving it?" (Carver, 2006, p. 110).

Executive Limitations

The second quadrant on Carver's policy circle deals with the board's relationship to the work of the organization's staff. From the governance perspective, this area is frequently problematic. Boards may easily find their attention and agenda largely dictated by staff issues and operations, reacting to a staff report or opining on operations questions that a timid staff "kicks upstairs" to the board. Sometimes the board can't resist the temptation to spend time on an issue that appeals to a particular board member's expertise or indulge in the "enticing complexity of operations" (Carver, 2006, p. 116). Or the board can go to the opposite extreme, deciding that it should simply stay out of the way and let the CEO and staff do their jobs. In effect, the board becomes an unthinking rubber stamp for everything the staff does.

From the governance perspective, the board must have control over staff operations. At the same time, the board must be free from the complexity of staff operations. Carver's solution for this nagging dilemma is to simplify the board's task through policymaking. The board, he says, should establish explicit boundaries, dictated by ethics and prudence, which the staff must not overstep. Rather than prescribe any specific means, the board leaves the staff free to employ its own creativity and ingenuity in developing programs and activities. Further, the staff is free to manage those activities as long as they stay within the limits set up by the board.

This approach, perhaps paradoxically, assigns a great degree of freedom to the staff—what Carver (2006) calls the *irony of delegation*. The most positive approach a board can take toward its subordinates' means is verbally negative. Conversely, the most negative approach is prescriptive and positive. Telling a subordinate how to do a task automatically eliminates all other methods. Telling a subordinate how not to do it leaves open all other possible methods (p. 122). Delegation within limits empowers the staff to use their creativity and innovation while ensuring real accountability. The message to the CEO and staff is "'Go till we say stop,' rather than 'Stop till we say go'" (p. 132).

Such an executive limitations policy may still leave the board with areas of concern. Carver encourages the board to identify and make explicit its "worry list" and explicitly verbalize those concerns in a second level of more narrow, explicit policy statements. He (2006) cites one board member who described her "heartburn strategy: I determine what's bothering me, see if the policy covers it, put it in writing" (p. 281).

Board-Executive Relationship

In this third quadrant of the policy circle, Carver (2006) deals with the structural relationship between the board and CEO. The actual title of the position (president, supervisor, executive director) is immaterial; he is focusing technically on the CEO function. It might seem that, with all the power Carver's model assigns to the board, the CEO emerges in a relatively weaker role. Such an impression would be totally wrong. Carver says, "A powerfully designed CEO position is a key to board excellence" (p. 154). The title of his chapter asserts the principle, "Strong Boards Need Strong Executives" (Carver, 2006, chap. 6).

Accountability, says Carver, "is the responsibility that accumulates upward" (2006, p. 158). The CEO's accountability to the board has two key features. (1) From the CEO's point of view, the position is accountable to the board *as a body.* The relationship with *individual* members of the board—including the board chair—is that of colleagues, working on a common task. (2) From the board's point of view, "the CEO is accountable for no less than the entire product and behavior of the organization. . . . For most official purposes, the board has only one employee, the CEO" (p. 159). The job description of the CEO, then, becomes quite simple. The CEO is expected simply to accomplish two things: (1) to achieve the ends (results) expected by the board, and (2) not to violate the executive limitations policies prescribed by the board (p. 161).

The working relationship between a strong board and a strong CEO is one of *teamwork*. When the board and CEO understand and respect each other's job definitions, they can each accomplish their respective roles with the support, but without the intrusion, of the other party. The CEO does not expect the board to make executive decisions for him by inviting the board to become involved in the "how" of staff operations. (This does not prevent the CEO from informally calling on the expertise of individual board members for information or advice.) On the other hand, if the board is solidly grounded in its responsibility to make policy, it can ask the CEO for help and support in developing policy options for its consideration and ultimate decision making. When the board and CEO each know what they are supposed to do, both sides are freed up to work in harmony and to help each other. A smooth running organization needs both a strong board and a strong executive.

Board Self-Governance

The policy governance model is fundamentally a redesign of the board's job. That demands a job description for the board itself. "A board that cannot govern itself cannot hope to govern an organization" (Carver, 2006, p. 185). Delineating the board's own self-governance is the task of the fourth policy quadrant. The first assumption here is that the board is responsible for its own behavior. It cannot depend on a CEO (no matter how talented and capable) either to keep the board motivated and engaged or to provide the board with an agenda. The CEO is not the board's babysitter, responsible for providing it tasks to spend time on. The board must take responsibility for managing itself, and making its own value contribution to the organization through specific *board products.* Carver identifies three specific *core products* for which the board is accountable: (1) linkage to the ownership, (2) explicit governing policies, and (3) ensurance of satisfactory organizational performance (Carver, 2006, p. 199). These compose the three essential board obligations, which cannot be delegated.

Linkage to Owners

"Ownership," says Carver (2006), "constitutes the origin of board accountability" (p. 196). It has already been asserted above that the board is there, not just to help run things, but to "own the business." The first obligation of the board is to identify and connect with the organization's principal stakeholders. That group may be easily identifiable as a specific set of people, for example, the members of a country club or trade association. Or the ownership may be more widespread and diverse, for example, the population of a school district or the listening area of a public radio station. What is at stake here is not simply the legal ownership as defined in law but a wider and more encompassing moral ownership. Ownership should not be confused with the organization's funders who give through either private donations or service contracts. "The test for ownership is not with whom the board makes a deal, but whom the board has no right not to ignore" (p. 188). Nor should ownership be confused with the board's relation to staff because "the board's trust relationship with owners supersedes its relationship with staff" (p. 188). However specific or obscure the ownership may be, "the more board members agree on whose behalf they are serving, the more powerful their rule as board members will feel" (p. 187).

Explicit Governing Policies

The central intention of the Carver model is to create a governance system based on explicit policies. Articulating those policies in the four quadrants of the policy circle is a core and quintessential board product. Part of the board's policymaking in self-governance should include the board's own written acknowledgment of this obligation. In the policy governance model, the board should perpetually be busy about policy. Failure in this respect constitutes a failure in the board's own accountability.

Ensuring Organizational Performance

The board must be continually focused on results. The board is not responsible for the staff's job, but it is responsible for monitoring and evaluating the staff's work product against the criteria and expectations the board has determined.

For Carver, the obligation to produce these three core products constitutes the essential elements of the board's job description. Anyone familiar with the nonprofit sector may immediately ask, what about fundraising as part of the board's job description? For Carver, this task is optional. It can be included in the board's stated obligations if the board so chooses, depending on the nature of the organization. The same is true for other such tasks as advocacy in the political arena. Carver's preference is to keep such "optional" tasks out of, or at least to a minimum in, the board's own job description. The more items that are included, the greater the risk of diluting attention to the board's core governing responsibilities (Carver, 2006, p. 207).

The third edition of *Boards That Make a Difference* is filled with often helpful examples of policy statements from organizations employing the policy governance model, as well as accolades from nonprofit executives and board members. Carver acknowledges that the model has drawn criticism, especially for its alleged rigidity and inflexibility. Indeed, Carver (2006) devotes a whole chapter in the third edition to responding to criticisms of his policy governance model, insisting that it has proved workable in practice for a wide range of organizations (chap. 12).

In any case, the Carver model provides the most comprehensive theoretical answer to our first question, how to determine distinct roles and responsibilities for board and staff. For Carver, the first principle for leadership in nonprofit organizations is to understand that board and staff each have a different job and that clarifying the board's job as governance is critical to understanding the role of staff in accomplishing the organization's mission.

Board and Staff: Modes of Leadership

The next question is, given their distinct roles, how to ensure that board and staff function coherently and complementarily for organization leadership?

Chait, Ryan, and Taylor (2005) agree with Carver that "the nonprofit sector has a board problem. Frustration with boards is so troubled and widespread that *board* and *troubled board* have become almost interchangeable" (p. 11). But they disagree with Carver on where to locate the problem. The board's job description, they say, is a good enough point of departure for new boards or inexperienced trustees. However, it does not explain the frustration of talented and experienced board trustees with the governance process as they experience it. Nor does it explain the failure of organizations to make use of the expertise of individual board members, either when they convene in board meetings or in less official (but still important) collaboration with staff outside the board setting proper. Confusion about roles and responsibilities, they say, is an "inadequate diagnosis" for explaining the problem.

> Governing is too complicated to reduce to simple aphorisms, however seductive, like "boards set policies which adminis trators implement" or "boards establish ends and management determines means." (Chait et al., 2005, p. 5)

The task and structure approach ultimately is unsatisfactory as a prescription for effective board action: "Can any of us name the job where we succeeded by focusing diligently on our job description?" (Chait et al., 2005, p. 24). In effect, the BoardSource authors argue, not so much that Carver's theory of governance is wrong but that it fails to provide an adequate guide to organization leadership on the part of the board.

The analysis begins with two observations. First, nonprofit managers in recent decades have gone to school and learned how to become *leaders.* "The transition from nonprofit administrators to organization leaders" (Chait et al., 2005, p. 3) is one aspect of a profound change in nonprofit organization dynamics. The corollary is that nonprofit boards no longer exercise leadership but have become more like managers (p. 4). The net result is that real governance has moved from the boardroom to the executive office. There is little worthwhile work, then, for trustees to do. The remedy, argue the authors, is to rethink governance in terms of leadership.

The approach in the work of the BoardSource associates is more behavioral and experiential in tone than Carver's approach. It is based on the best practices observed in a variety of organizations and articulated in numerous conversations. The result is a "framework"—if not exactly a full theory—of organizational behavior. The key concept is that governance happens in three modes and that all three are required for governance to rise to the level of organizational leadership:

> Type I The *fiduciary mode*, where organizations are concerned primarily with the stewardship of tangible assets
>
> Type II The *strategic mode,* where boards create a strategic partnership with management
>
> Type III The *generative mode,* where boards provide a less recognized but critical source of leadership for the organization (Chait et al., 2005, pp. 6 7)

The graphic expression of this concept is a triangle—which needs all three sides to be complete (see Figure 57.3). "*When trustees work well in all three of these modes, the board achieves governance as leadership* [italics in original]" (Chait et al., 2005, pp. 6–7).

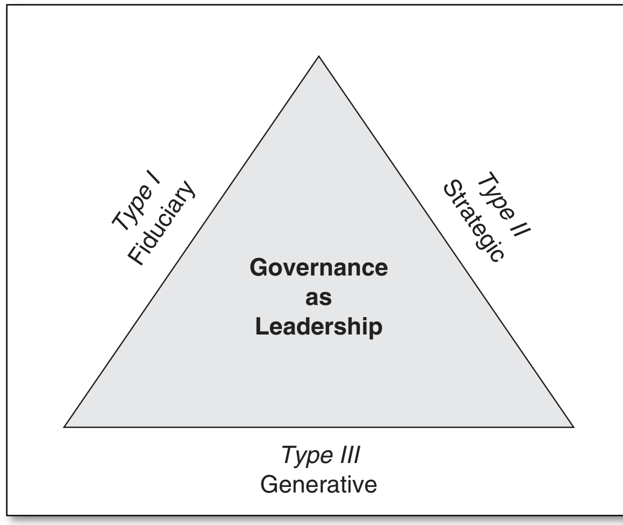

Figure 57.3 Governance as Leadership: The Governance Triangle

SOURCE: Chait, Ryan, and Taylor, 2005, p. 7.

Type I: Fiduciary Mode

Fiduciary work is the fundamental substratum of trusteeship. It involves the duties of loyalty and care that board members owe the organization to ensure that its assets are protected and resources used effectively, that the organization stays faithful to its mission, that it acts lawfully and ethically, and that board members avoid any personal benefit and act in the best interest of the organization and those it serves. In the era since the Sarbanes-Oxley legislation focusing on the private sector, nonprofit boards have become much more attentive to issues of financial accountability and integrity in their fiduciary oversight.

The board's fiduciary responsibility is often understood as the duty of a watchdog—to make sure nothing bad happens. This type of governing is indeed essential, but when a board sees its duties exclusively in Type I mode, it runs the risk of becoming trapped in a narrow mental rut. The Type I board devotes itself almost exclusively to watching for what can go wrong. Its meetings and its work are typically a response to initiatives by the staff—reports, budgets, program reviews. This kind of work is essential, but if that is all the board does, its focus is "to prevent trouble rather than promote success" (Chait et al., 2005, p. 19). That is hardly a prescription for leadership.

Yet there is within the Type 1 fiduciary mode real possibility for creative initiative and leadership. The key difference is that the board must go beyond *oversight*, the typical Type 1 attitude, to *inquiry*—which pushes into new territory. The following are some examples of the different kind of questions a board might ask in the fiduciary mode are (Chait et al., 2005, p. 38):

Oversight Questions	*Inquiry Questions*
Can we afford it?	What's the opportunity cost?
Is the budget balanced?	Does the budget reflect our priorities?
Is it legal?	Is it ethical?

Type I thinking is critically important, but for a board to act exclusively in this mode has its dangers. The risk is a bureaucratic routinization of tasks that can lead to boredom and jeopardize the board's own exercise of the very fiduciary responsibility it is trying to realize. In short, Type I thinking must be complemented by other modes.

Type II: Strategic Mode

It is not enough for an organization to make the trains run on time; it must be certain that the tracks point to a destination worth arriving at. The organization governed by Type I thinking may know what it's doing and even do it well. But in the competitive nonprofit environment of recent decades, it is a fallacy to think that simply good intentions and even doing good works will ensure long-term success. Chait, Ryan, and Taylor (2005) comment on the switch in thinking that has occurred in recent decades:

> The dominant "theory" was that success depended more on the organization's self evident virtues and unique purposes than on a carefully crafted strategy. Financial support was an act of faith and charity, not a response to an inspired strategy. Then circumstances changed. (p. 62)

Today any organization pursuing a grant or seeking donations is pretty much forced to provide its fundraisers a strategic plan to carry along in their briefcase as they knock on doors or develop a website.

The problem, though, as many organizations have discovered (and many corporations as well!) is that strategic plans don't always work. "For many nonprofit boards that have embraced formal strategic planning, one overarching concern has arisen: the organization's strategic plan is neither strategic nor a plan" (Chait et al., 2005, p. 57). The plan may simply sketch a blue-sky vision that has few earthly underpinnings. It may fail to deal with necessary changes to the organizational infrastructure—"people, policies, programs budgets, incentives, and facilities" that must be integrated into making the plan work (p. 58). The plan may ignore the strategic drivers that are critical for getting results. Sometimes trustees may be presented a plan devised by management into which they have had little input; in effect they are asked to buy into other people's ideas, leaving them feeling disenfranchised. Some plans may not account for the pace of change, leaving plans irrelevant to the real environment. In short, organizations may experience "the rise and fall of strategic planning"—the title of Henry Mintzberg's book on the subject (1994). An organization may find value in an annual strategic planning retreat to write or revise the requisite strategic plan, but simply having a plan does not ensure organizational success.

Rather than having a plan, the board must learn to *think strategically*, not just once a year at the annual retreat but all the time. "Strategic thinking should not be treated as heavy artillery or a last-ditch measure deployed only at times of crisis. It is in fact most useful when honed through continuous use" (Chait et al., 2005, p. 64). The board is actually well situated at the top of the organization for the kind of big picture, big idea thinking that should inform the strategic planning process. It may well be easier for the board to imagine a new organizational scenario than it is for top managers, whose day job is implementing the status quo.

> In fact, as smart generalists, the board's capacity to see the panorama more clearly than the pixels underscores a central tenet of Type II governance: boards are better suited to think together than to plan together, to expand the essence of a great idea rather than elaborate the details of a plan. (Chait et al., 2005, p. 66)

Indeed, until the organization learns to use *ideas* rather than *plans* as the "drive motors of strategy, the full range of trustees' talents will be vastly underutilized" (Chait et al., 2005, p. 68).

This Type II governance calls for a different relationship between the board and management than the Type I oversight mode. Here, board and staff develop a strategic partnership, like the teamwork of partners in a doubles tennis match (Chait et al., 2005, p. 69). This Type II mode of governance has implications for how the board goes about its work. The board structure must reflect the focus on ideas, not just organizational functions. Task forces may be created to deal with questions that cut across the domain of the board's functional committees (e.g., finance, development). For example, instead of asking, "How can we maintain market share?" the board might consider, "Are we in the right markets?" Or instead of, "How much debt capacity do we have?" the board might ask the more fundamental question, "Where do we want to invest (or disinvest)?" (Chait et al., 2005, p. 75).

Board meetings should not be forced into ritualized agendas but allow time for thinking aloud with the CEO about questions of this type. Board information and communications need to stretch the board's attention beyond the confines of the organization itself, engaging with the ownership and the environment. Finally, this type of governance offers opportunity for engagement of the board in actually implementing the strategy, employing individual board members' expertise in such arenas as contract negotiation, political advocacy, or fundraising.

Type III: Generative Mode

Most boards will have some familiarity with operating in the fiduciary and strategic modes. They probably will have less experience in the generative mode—the operating style that offers the most potential for true leadership at the board level. Trustees typically do generative thinking in their "day jobs," where they take it for granted as a requisite for leadership success. But board work frequently does not provide trustees with the opportunity for creative leadership in typical board settings. Describing this mode and offering some help for how to do it at board level constitute perhaps the most important contribution of the BoardSource approach.

Board members are usually familiar with such organizational processes as "mission setting, strategy development, and problem solving" (Chait et al., 2005, p. 80). But a fourth process, of generative thinking, is actually more powerful:

> Generative thinking precedes and more to the point, it *gen erates* the other processes. . . . A prior, unexamined cognitive process generates the moral commitments that missions cod ify, the goals that strategies advance, and the diagnoses that problem solving addresses. (Chait et al., 2005, pp. 80 81)

The generative thinking process constitutes the "fuzzy front end" of how "big hairy ideas" get conceived and become the drivers for continually moving an organization forward. This is the kind of thinking that is essential for leadership in the governance process. But, assert the authors, boards do very little of it because "most boards are not organized and equipped to do generative work" (Chait et al., 2005, p. 92).

Determining if and locating where generative thinking takes place in an organization is a powerful predictor of the organization's operating style and aptitude for success. A 2 × 2 column table plotting trustee versus executive engagement identifies four characteristic profiles (see Figure 57.4).

The ideal profile is in Quadrant II—where both trustees and executives are highly engaged in the generative mode, resulting in collaborative leadership. In Quadrant I, only the trustees are highly engaged, resulting in "governance by fiat." Quadrant IV identifies the opposite case, where generative leadership is situated with the executive, and trustees are effectively displaced and absent from real governance. Quadrant III identifies the situation where nobody is in charge, leaving organizational leadership to staff or whoever will step forward.

Boards are ideally positioned for generative leadership. They have the power. They have the breadth of perspective. And they are situated at the "edge" of the organization, close

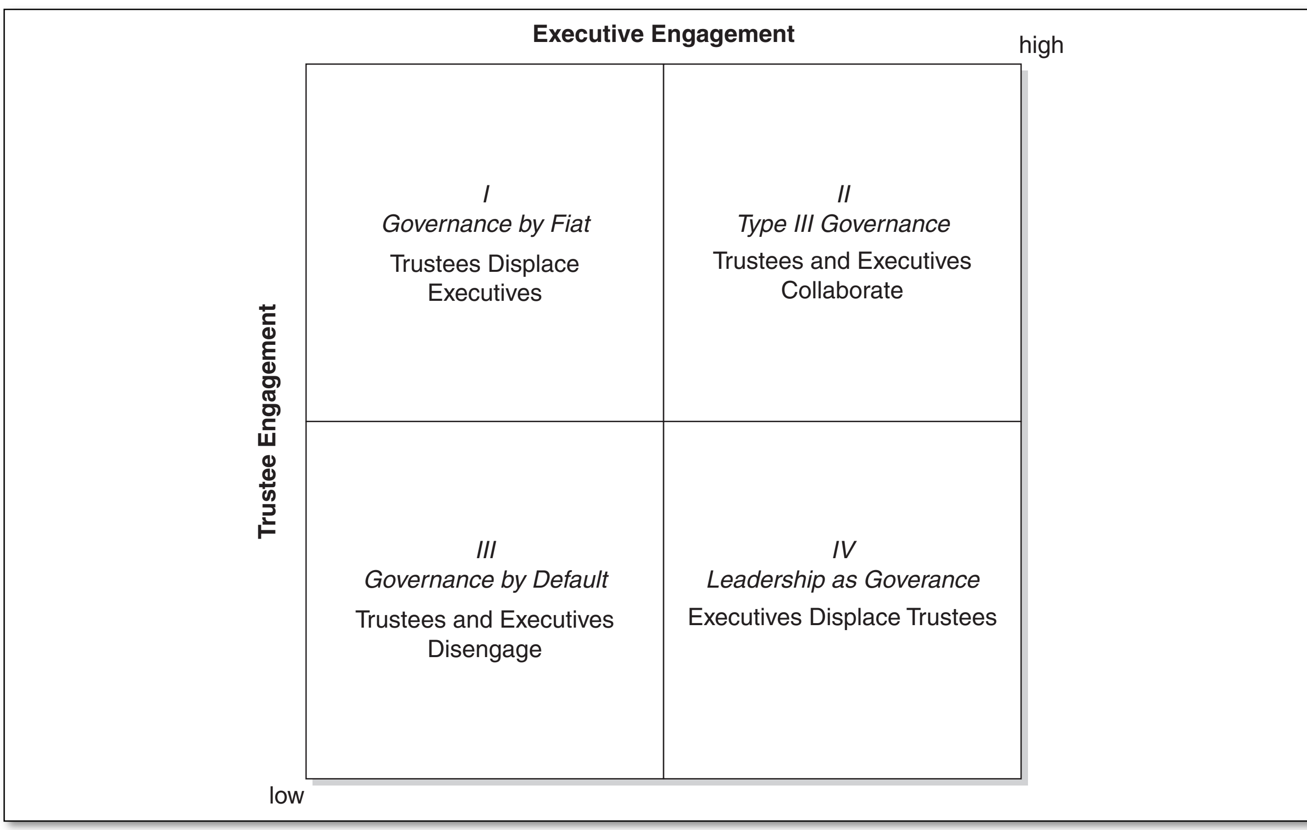

Figure 57.4 Generative Thinking: Four Scenarios

SOURCE: Chait, Ryan, and Taylor, 2005, p. 98.

enough to understand its inner workings but connected to the outside environment and the "ownership" (to borrow a phrase from Carver). The question is, *how* to do it?

The final third of *Governance as Leadership* provides real world examples of the Type III mode of governance, as well as consultant suggestions and exercises for implementing the generative mode. This story from a social service organization shows how the board worked with executives, not just to adopt a proposed *solution* but to understand the *problem*:

> The stated problem was voluntary turnover of staff. The tech nical solution proposed was to increase compensation. The board discussed the pluses and minuses of many pay plans across the board versus merit pay, signing bonuses versus retention bonuses, individual rewards versus group rewards. But after deliberating in a generative mode, the problem turned out to be how to create a "great place to work" for pro fessional staff. In the end, quality of work life, not money, was the decisive factor. (Chait et al., 2005, p. 108)

For a board to work in this fashion requires robust dialogue, not groupthink. "Type III governance posits that great minds think differently, and that discussions are enriched by multiple perspectives" (Chait et al., 2005, p. 125). From their consulting experience, the authors propose a number of techniques to push the board to think in the generative mode and to make use of board resources as "working capital" (chap. 7).

"But generative work without strategic or fiduciary work, can lapse all too quickly into self-absorbed navel-gazing" (Chait et al., 2005, p. 181). Boards function best and provide the most effective leadership when they engage creatively in all three modes. Again, a real world example can provide an illustration. The case involves the loan of 21 Monet paintings by the Boston Museum of Fine Arts to the Bellagio Casino in Las Vegas. (The case was reported by Edgers, 2004.) See Chait et al., 2005, pp. 109–110. Chait and associates note that in coming to its decision to loan the paintings, the museum board considered questions from all three perspectives (pp. 109–110):

> *Type I Governance*: Are the paintings travel worthy? What are the insurance and security arrangements? Are there any bequest related restrictions on travel or venues? How long a loan period? How much will Bellagio pay? How and where will the MFA's name appear?

> *Type II Governance*: Will the absence of the Monets affect MFA patronage? How will the association with the Bellagio and Las Vegas affect the MFA's image and reputation? Should the MFA sponsor "tie in" events in Boston or Las Vegas? What can the MFA accomplish with the income from the Bellagio?

> *Type III Governance*: What will we do or not do if the price is right? Should we loan art to the highest bidder? Should we display art where the masses already are? Do MFA masterworks "belong" in neon light, pop culture, for profit venues? How conservative or iconoclastic an institution do we wish to be?

The case illustrates the principle that all three modes of thinking are essential for the board to arrive at a decision in which it can have confidence that serious questions have not been overlooked.

This is governance as leadership in partnership with the executives. "The CEO still stands as *the* leader of the organization and still provides leadership for the board" (Chait et al., 2005, p. 181). But "the less an organization depends on a lonely and heroic leader, the more leadership and the better governance the organization will have" (p. 181).

Future Directions

Both Carver's policy governance model and Chait, Ryan, and Taylor's modes of operating model have been used effectively in consulting. For the policy governance model, there is extensive work on implementation (see Carver, 2002, 2006; Carver & Carver, 2009; Carver & Charney, 2004). The theory itself is well articulated. The most productive direction for future research is the kind of empirical testing done by Judith Millesen (2005), cited above. The Carvers' writings include numerous illustrations from their consulting work, but it would be helpful to have some elaborated case studies of organizations that have successfully implemented the model as well as those that tried and failed.

The Chait, Ryan, and Taylor framework would likewise benefit from empirical case study analysis, perhaps emerging from the extensive consulting work of BoardSource. Ultimately it will be the stories—both of success and of failure—that will help to improve the collaborative and creative leadership of board and staff in nonprofit organizations.

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Philanthropic Leadership at the Community Level

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Philanthropy takes on many forms in a community including individual giving, corporate giving, charitable bequests, and foundation grantmaking. Contributions in 2008 can be used to illustrate the presence and strength of each of these forms. According to "Giving USA," the annual survey of giving patterns in the United States, total giving was estimated at more than $300 billion, with the total divided among individual giving at 75%, foundation grantmaking at 13%, charitable bequests at 7%, and corporate giving at 5% (http://www.givingusa.org). As is traditionally the case, individual giving was the greatest source of charitable dollars in 2008, with individual philanthropists directly supporting the mission and programs of specific nonprofits and causes. This form of giving most directly represents a donor's preference for the use of a donated dollar, in that the donor selects a nonprofit, a program, or a cause and gives the money to that effort directly.

Foundations, on the other hand, are institutions that manage private funds dedicated to public purposes and direct the majority of those funds through grants to nonprofit organizations (Prewitt, 2006, p. 356). There are two kinds of grantmaking foundations: the private foundation and the community foundation, each governed by a different set of Internal Revenue Service (IRS) rules. Both kinds of foundations traditionally facilitate their work through managing a collective pool of funds that have been donated, earned from investments, or granted to the foundation for mission-related activities. These funds are then distributed on behalf of the original donors in respect to the foundation mission and personal preference, in many cases through donor-advised accounts. In addition to the traditional fund-managing and grantmaking roles, foundation activities include convening key community stakeholders, collaborating within and across sectors, and building nonprofit partner capacity. Studies have found differences in the mix of activities conducted by an individual foundation, but research generally agrees that foundations are exercising leadership at the community level (Center for Effective Philanthropy, 2008; Fairfield & Wing, 2008; Foundation Center, 2007; Ostrander, 2007; Ostrower, 2006). Given this prevalence of foundation leadership, nonprofit leaders within a community may not be aware of or understand the power inherent in acquiring knowledge of the processes of foundations in developing and exercising leadership strategies.

Why Would Nonprofits Care?

Understanding how foundations lead communities is extremely important to the success of nonprofits in the United States for a number of reasons. For one, foundations are a source of a good deal of money. In 2008, the more than 75,000 foundations operating in the United States granted an estimated $45.6 billion (Lawrence & Mukai, 2008, p. 1). The amount of money contributed to the nonprofit sector by foundations has been found to bring significant influence to bear on nonprofits (Gronbjerg & Martell, 2000). Therefore, successful nonprofits look to foundations for this support and strategically must acknowledge the influence that accompanies those resources.

A second reason understanding foundation leadership is important is that it includes different activities, norms, structures, and roles. Often, individual foundations choose their activities based on the foundation's individual circumstances, such as the foundation type or its organizational values, those underlying institutional principles that govern a foundation's relationships with various constituencies. To relate to foundations successfully requires a nonprofit professional to understand how these different institutional circumstances impact the choices foundations make. Certainly, foundations are viewed often as unique. "Once you have seen one foundation" goes the popular adage, "you have seen one foundation" (Ostrower, 2006, p. 510). While that is true, foundations have important institutional similarities, and in those are clues to deciphering the leadership style of an individual foundation. Foundations, for example, are private institutions defined by their mission and the requirements of their tax-exempt status. These private institutions all have missions that call them to serve the "greater good" in their activities and to meet the requirements of tax exemption (such as to distribute their earnings for charitable purposes rather than to shareholders).

Differences between foundations become apparent when one compares foundations by type. Consider, for example, the case of private versus community foundations. Private foundations, such as the W. K. Kellogg Foundation, are generally established through the endowed gift of a single source and, therefore, focus on the wishes of the founding donor. Community foundations are legally classified as public charities and operate by both raising and distributing money to specific geographies based on the wishes of a diverse group of donors with unique personal causes and unique community needs. It is also important for nonprofit leaders to consider a foundation's size and institutionalized values to ensure congruency with requests for funds and participation at roundtable discussions. Those values are often operationalized in the attitudes and perceptions of foundation leaders (Ostrower, 2006). A prudent nonprofit professional understands these differences and uses that understanding in all foundation relations.

There is a third reason for nonprofits to understand foundation leadership. The expectations foundations have regarding nonprofits are changing, related to the pressure within the philanthropic community for accountability and effectiveness. These same expectations are recently evidenced in Requests for Proposals (RFPs) from government, foundations, and other funders. Although there is a lack of clarity about the meaning of *effectiveness*, it is generally accepted that there is pressure on foundations to be both accountable and transparent in their activities. Foundations transfer this emphasis to their grantees, with calls for nonprofits to use data to demonstrate need, to track progress toward goals, and to measure impact. Foundations now often make accountability an expectation for grantees in priorities and grantmaking. There are differences in how foundations approach accountability and effectiveness (Ostrower, 2007; Sowa, Coleman, & Sandfort, 2004). Understanding how foundations view effectiveness in their work will give nonprofit professionals critical insight in approaching foundations for support and anticipating the extent to which accountability will be required in their work.

This chapter discusses how foundations lead in communities and then offers realistic strategies for nonprofits to use as they access foundation leadership through grant awards and collaboration related to foundations. Before this discussion can occur, however, we need a definition of leadership.

Leadership: A Transactional/ Transformational Approach

In writings about philanthropic leadership and the role of foundations, phrases like *foundation effectiveness* and *adaptive or strategic leadership* often appear (Bernholz, Fulton, & Kasper, 2005; Center for Effective Philanthropy, 2007; Ostrower, 2006). These phrases represent common themes such as the relationship between the leader (i.e., the foundation) and the follower (i.e., the grantee) or the practices of leadership, which include negotiated work as opposed to collaborative work. Transformational leadership is a framework that effectively articulates the range of leadership styles and activities. This concept is familiar to professionals from a variety of backgrounds and provides an appropriate framework for the discussion of philanthropic leadership because it is accepted by those who write about philanthropy and is familiar to the trustees and other volunteer professionals who make up philanthropic leadership.

First defined by James MacGregor Burns (1978), the fundamental principle is that there are two categories or styles in the way people (or organizations) lead: transactional and transformational. Transactional leaders influence and lead through direct exchange, in that the leader and the follower exchange one thing for another. Leaders exchange something of value that they possess or control with followers in exchange for a particular outcome or service. For a foundation, this might be that the foundation gives money to a grantee to accomplish certain goals. The exchange is the money for the program. Transactional leaders often define the work based on negotiated work plans or contracts. When the work is completed (or not), leaders award the followers with tangible (e.g., money) or intangible (e.g., praise, additional work) rewards or with punishment (e.g., penalties, consternation), concluding the transaction (Rowold & Rohmann, 2009). The traditional philanthropic functions such as fiscal management and fund distribution (including all the grantmaking and management functions) could be viewed as transactional.

A transformational leadership style, on the other hand, is not based on transactions. The relationship between leaders and followers is more engaged. Central to the style is the mutual development of vision and action. Transformational leaders influence followers toward action that is collectively developed rather than action that is basically a transfer of resources. Transformational leaders solicit followers' ideas, encourage creativity, and instill high standards and deep convictions (Bass, 1997). Transformational leadership is strategic and is characterized by leveraging resources and adapting goals to circumstances and opportunities.

Neither leadership style is the "right one" for all organizations in all situations. Transformational leaders who are committed to building vision do not necessarily do so to the detriment of making effective investment decisions or managing an efficient grant portfolio. The two styles can exist together in a foundation, with the transformational leadership enhanced by the transactional functions (Bass, 1997; Burns, 1978), or a foundation might have only one style. Clearly, a foundation cannot be effective in leading a community if the fiscal and fiduciary transactions are not performed in a flawless manner. There is, however, increasing awareness in the philanthropic community that using both styles builds innovation, creativity, sustainability, and impact over time (Bernholz et al., 2005; Center for Effective Philanthropy, 2007; Ostrower, 2006; Walden, 2006).

Transformational activities include convening diverse stakeholders, collaborating with government and business, partnering with grantees around innovative strategies, or advocating for public policy positions. Auspos, Brown, Kubisch, and Sutton (2009) uncovered six "civic roles for philanthropic organizations' engagement in communities," using as a case study Living Cities, a "consortium of financial organizations, private foundations and private sector organizations . . . working . . . to improve distressed neighborhoods in 23 cities" (p. 135). These various roles can be viewed as transformational in nature and can be used to illustrate how foundations can successfully lead in a community. The six roles identified in the case study were the following:

1. Convening and leveraging diverse networks of relationships
2. Developing local data and plans for community change
3. Leveraging new resources on behalf of the community
4. Mobilizing political will
5. Framing new messages and communicating strategically
6. Generating and testing new ideas and building and sharing knowledge

For foundations, transformational roles are often classified as direct charitable activities. The Foundation Center (2007) conducted a study of 900 of the top 3,000 foundations in the United States in terms of giving (in 2005), focused mainly on independent and family foundations. The results, as reported in "More Than Grantmaking: A First Look at Foundations' Direct Charitable Activities," illustrate the importance foundations place on direct charitable activities. First, different types of foundations are involved in direct charitable activities, and the level of support for such activities varies. According to the Foundation Center, a quarter of the independent and family foundations surveyed conduct direct charitable activities (and programs) and "spending ranges from a small fraction of their overall charitable administrative expenses to more than 25 percent for about one in four" (Foundation Center, 2007, p. 6). Second, the size and the type of the foundation influenced the involvement in these activities. Half of the surveyed foundations that make grants of $10 million or more indicated that they conduct direct charitable activities, and community foundations reported far higher levels of participation in these activities (61%) than independent or corporate foundations. Third, three fifths of the reporting independent and family foundations indicated that their involvement in direct charitable activities has increased in the last 5 years, and three fourths predicted that the "practice is becoming more widespread" (Foundation Center, 2007, p. 5).

The increase of nongrantmaking activities is viewed by many in the foundation world as a move toward effectiveness (Bernholz et al., 2005; Center for Effective Philanthropy, 2007; Ostrower, 2006). Gwen Walden (2006) of the California Endowment identified convening, training, advocacy, strategic communications, nontraditional investment strategies and leveraging as activities that are transitioning foundations from "grantmaking to changemaking" (p. 30). Many philanthropic leaders measure a foundation's effectiveness by the success of those it funds (Bernholz et al., 2005; Center for Effective Philanthropy, 2007).

Philanthropic Transformational Leadership

In *On the Brink of New Promise,* Bernholz et al. (2005) laid out a blueprint for the activities of philanthropic leaders. They emphasized the community context of foundations, describing dynamic and fluid forces for change such as changing demographics, technology, economics, and institutional roles. The authors asserted that philanthropy needs to be engaged in community as proactively strategic rather than as reactive participants. Community philanthropy was defined as "the practice of catalyzing and raising resources from a community on behalf of a community, . . . including affinity across geography, issues, and identity" (Bernholz et al., 2005, p. 1). Given that definition, the leadership role these authors describe could be assumed by any foundation that asserts impact on particular issues, a particular geography, or a particular group.

Bernholz et al. (2005) challenged foundations to adopt two core values. The first value is to be transformational leaders and the second to be strategic in that effort. To be transformational leaders, foundations cannot act as the "community ATM" (Rosenberg, 2009). This metaphor is used to describe foundations that respond to financial needs as requests come to them: direct grantmaking. The increasing pressure for effectiveness is moving foundations to expand their activities to a change-making role, one of transformational leaders. And along with it, grantees are finding varying strategies and success.

Attitudes and Perceptions

Foundations are embracing the effectiveness, transformational challenge with varying attitudes and perceptions. Using survey data collected from 1,192 staffed, grantmaking foundations, a team from the Urban Institute developed a typology for grouping foundations based on their attitudes and perceptions of effectiveness. Reviewing this research gives a clear framework for understanding the variation of foundation values and behaviors. It is valuable because it moves beyond the traditional grouping of foundations to one based on their views and values related to foundation effectiveness. Foundations were asked to report what they viewed as important to achieving effectiveness, and then, they were grouped based on their responses to questions measuring effectiveness components and approaches. The scales and the views and activities associated with them are as follows (Ostrower, 2006, pp. 511–512):

- *Proactive orientation:* Foundations that measure high on this scale view proactivity as important and make grants for foundation designed initiatives, using measurable outcomes as an important grantmaking criterion. They believe it is important to engage in activities beyond grantmaking to increase impact, focus on root causes, collaborate, and seek out social needs.
- *Technical assistance/capacity building:* Foundations that measure high on this scale view technical assistance and capacity building as important and support that work. They also provide nonfinancial technical assistance in areas that include board development, strategy and planning, fundraising, communications, technology, and hosting grantee convenings.
- *Social policy/advocacy:* Foundations that rank high on this scale believe that influencing social policy is important to being effective. They award grants to support advocacy and place a high value on social change.
- *Internal staff development:* Foundations that rank high on this scale provide opportunities for training and development in use of computers and/or technology, internal management, and grantmaking.

The foundations were then clustered into four groups according to how they ranked on the four scales. The distribution of foundations across these groups is an indication of the range of attitudes and perceptions among the responding foundations. One group of 313 foundations (29%) rated all four areas as high. A second group included those foundations that ranked relatively high on the proactivity and social policy scales, but not on the management/technical assistance or internal staff development scales. There were 296 foundations (28%) in this group.

The third group was comprised of foundations that ranked high on the proactivity and internal staff development scales, but not on the social policy or management/technical assistance scales. There were 230 foundations or 22% in this group. The fourth group included 224 foundations (21%) that ranked all four scales low.

Once foundations were grouped, similarities and differences were analyzed both within and between the groups. Reviewing these similarities and differences can give a nonprofit professional useful insight into the attitudes and behaviors of foundations. For example, consider a foundation that views all four areas (proactivity, social policy, management technical assistance, and internal staff development) as important to their foundation effectiveness. The research found that such a foundation (high in all areas) believed it was important to publicize the foundation and its work to be effective and that strengthening other organizations was an important goal of their grantmaking. Nearly half of these foundations believed that ethnic or racial diversity of board and staff was an important criterion in grantmaking decisions, and a high percentage make investments or do not because of social, political, or environmental practices. A high percentage of foundations that rated all four areas as highly important to foundation effectiveness were found to have used evaluation in their grantmaking, to have conducted a strategic plan, to be involved in communication activities, and to have participated in collaboration. Foundations that rated some or all of these activities as important to effectiveness are leading as transformational leaders. Foundations that were low in all areas were less likely to hold these types of attitudes or practice these types of behaviors. If a foundation sees their effectiveness as being determined by the transformational attitudes and behaviors measured by this study, a nonprofit professional can expect pressure to partner with the foundation in a transformational manner. To be successful with such a foundation will require more than a well-written proposal.

Although foundation professionals find activities beyond grantmaking to be important and an increasing part of the grantee/foundation relationship, nonprofit professionals question whether the activities are successful (Center for Effective Philanthropy, 2007). In an effort to determine what assistance is being given beyond grants and to measure the effectiveness of that effort, the Center for Effective Philanthropy conducted a survey with nonprofit organizations and their experience with certain foundations as well as surveys and interviews with foundation program staffs and boards. The research found that foundation staff members believe that assistance beyond grants is important for impact and goal achievement; they "know little about the actual results of the assistance they provide" (Center for Effective Philanthropy, 2007, p. 6). In addition, the majority of grantees (of a large foundation) receive no assistance, and those that do generally just get two or three types of assistance beyond grants, which according to those surveyed is not effective. To provide comprehensive assistance requires a significant investment on the part of the foundation, yet it was reported that assistance embedded in a set of supports provides the most positive experiences.

Transformational Leadership: Why Foundations Lead as They Do

The leadership theory and the research presented in this chapter can be synthesized as follows:

- Individual foundations take on different roles in communities, and those differences include the foundation's involvement with views of effectiveness, relationship to grantees, and leadership activities.
- Transactional and transformation leadership styles exist in community philanthropy as a continuum and are selected by foundations in communities based on the foundation's size, type, and the attitudes and perceptions its leaders hold about effectiveness.
- Transformational activities can often include networking and leveraging resources and relationships across diverse groups, generating and sharing knowledge, and using data to articulate needs, monitor progress, and measure impact.
- Transformational activities are promoted as a strategy to strengthen foundations' capacity to adapt and lead in dynamic environments.
- Transformation activities can often bring foundations to expect grantees to use data to demonstrate need, to measure progress, and to report impact.
- Direct charitable activities, support beyond a grant, takes time and resources.

Given these realities, why does a foundation choose a particular leadership style? Certainly, choosing a style has both organizational benefits and risks. If the philanthropic leadership is transactional, a foundation has the benefit of a high level of control. The foundation leadership (including board, staff, and donors) determine how money will be managed and distributed. The leadership decides what is important and what will be done with foundation money. This style of leader controls the organization's "message," the focus and priority of issues, and the assessment of efforts. A transactional leader also has the ultimate authority for quality. This leader negotiates an exchange of resources for services and continues or discontinues those efforts based on the criterion of that particular foundation. Moving to a transformational style risks the loss of this exclusive control by inviting others, including grantees, to share in leading the vision and the work.

Sharing exclusive control often means putting the foundation's name and credibility on the line and can mean supporting weak partners or those who are not able or willing to support shared vision or priorities. For a foundation to lead exclusively through grantmaking, in a transactional style, puts a high level of trust in the foundation's capacity to act individually. A foundation may be in that position because of the amount of money the foundation has to grant based on its priorities or because the priorities are precise or unique, making collaboration arguably irrelevant. Increasingly, single institutions are less likely to have the resources to act independently in communities. Communities are dynamic, and community needs are often interrelated. Independent action can be risky for many foundations, whereas for others, it is a realistic and successful approach.

The range in leadership styles ultimately means that nonprofit professionals cannot guess how any one foundation approaches its leadership in a community. Guessing is not the road to success in foundation relations. Success waits at the intersection of styles. Success lives when nonprofits and foundations match.

Leadership Strategies for Nonprofit Professionals

Just as a foundation's relationship with grantees reflects a leadership style, a grantee's relationship with a foundation equally reflects a style. In a transactional relationship, the grantee views the foundation as a funder, a contracting institution. Generally, the nonprofit views the foundation as the leader and itself as the follower. The foundation leadership (board and staff) assess need and determine areas of focus. The foundation may put out an RFP or call for proposals, to which the nonprofit would respond. Even if it does not use an RFP or call for proposals, the foundation will have funding priorities, focus areas, or interests that are used to make fund distribution decisions. Whatever approach is used, the foundation selects and funds the work, and the nonprofit conducts and reports the work. In a transformational relationship, the grantee is not necessarily a follower. Depending on the activities of the foundation, a grantee might be called on to determine needs (through a convening, for example) or to collaborate with others around programs or initiatives. This is a very different role for a nonprofit, and not all are ready or interested in relating to foundations in this way for two reasons. One, the nonprofit may believe that it does not have the organizational capacity—staff or other resources—to be involved in community collaboration or collective visioning. The second reason is that the nonprofit may not consider community leadership that is transformational a priority. In measuring the components of organizational effectiveness, these nonprofits would not rate high on the four scales: proactive orientation, technical assistance/capacity building, social policy/advocacy, and internal staff development (i.e., as noted in Ostrower, 2006). Also, a nonprofit needs to come to clear terms about the power dynamic that traditionally exists between those that give money (foundations) and those that ask for it (nonprofits). This dynamic is, in many cases already described, old and ineffective in the age of philanthropic effectiveness and stands in the way of successful grantmaking impact (Orosz, 2007). To be successful, the nonprofit needs to find foundations that lead with a style that matches its style of following. To find these foundations requires a strategic process, conducted with thought and intention.

Strategy as a vehicle to drive organizational excellence developed in organizational leadership in the last 40 years. Any number of models and tools are dedicated to the theory and practice of strategic planning for nonprofits. Generally, those are beyond the scope of this writing except in the most basic of form (see Allison & Kaye, 1997, and Bryson, 1995, for a thorough treatment of strategic planning). That basic form is this: The actions of nonprofits must be based in the context of the world in which their mission lives. For nonprofits to be successful with foundation relationships, they need to ground both their strategy and intention in a contextual process. They need a strategy as defined in the strategic organizational studies and framed as an intentional process. In his book, *The Nonprofit Strategic Revolution,* David La Piana (2008) defined strategy as a "coordinated set of actions toward an end to creating and sustaining a competitive advantage" (p. 32). La Piana describes strategic thinking and positioning as an ongoing activity. It is, for example, a thoughtful assessment of a nonprofit and its context, creating significant information for the nonprofit's leadership to use in priority- and strategy-setting decisions. Strategies for foundation relations are the result of a contextual assessment of the nonprofit and its mission, values, and resources. This assessment is done within the community environment and includes all foundations involved in community philanthropic efforts, their resources, and their leadership style. The strategic assessment needs to be completed as a part of the nonprofit's strategic planning to "chart the course" and then used in any and all decisions related to foundation relations. The assessment process includes a "strengths/weakness/opportunity/threats" analysis of both the internal and the external context of the nonprofit and, as such, can be conducted using a series of three steps. Knowing the unique nature of foundation leadership, the key is to systematically take the time and focus to analyze both the challenges and opportunities available in the nonprofit and foundation relationships.

Step 1: Know Your Organization

The first step is to thoughtfully consider the nonprofit's mission. In this step, a nonprofit conducts a systematic review of the mission and values of the organization and considers the alignment of current programming to that mission and values. This is an internal and an external assessment, in that information is gathered from both "inside and outside" the organization. What is this nonprofit? Why does it receive a tax exemption? To conduct such an assessment, the nonprofit leadership needs, first, to revisit the mission and values of the organization to ensure that all leadership understands and agrees with the definition of the mission and values. Then, a good deal of data must be used to discern how the mission and values are currently being articulated in services or advocacy or policy depending, of course, on the mission itself. A thoughtful assessment includes an honest consideration of the governance system. What is the role of the board of directors? Next, what are the systems that define the operations of the nonprofit? All systems must be considered including human resources (including volunteers), fiscal management, consumer outreach, and service delivery. Where does the money go? For example, are there funds going to support community collaboration? One looks in this assessment for evidence of leveraging of funds or diversity of funding that comes through partnerships or mutual service delivery.

In this stage, deficiencies can appear. How capable is the nonprofit of delivering data about these systems? Organizational capacity issues can surface at this step, and those are important if a nonprofit aspires to seek funding from a foundation that requires data beyond what the nonprofit can provide. Also, aligned to mission and values, the nonprofit must realistically review service delivery. Who are they serving, and to what extent do those individuals match the organizational mission? Multiple-year data need to be viewed to determine trends. In this stage, the nonprofit also needs to assess how it relates to its consumers/clients/patients. A foundation that is transformational in leadership will look for nonprofits that consult and involve consumers in service delivery design. Such a foundation will look for evidence that the nonprofit seeks out information from consumers about the effectiveness of programming. Some might look for consumer representation on the board of directors or on an advisory committee. The nonprofit needs to be thoughtful about the consumer relationship and be able to provide a rationale for that relationship based on organizational mission. Once this information is gathered, the strengths and weaknesses of each of the systems must be assessed.

Step 2: Know the Community and the Context

Knowing the community requires a nonprofit to assess a number of relationships. First, there needs to be a clear definition of the community it serves as a nonprofit first related to it. The nonprofit's community can be defined by a number of things, such as geography, ethnicity, gender, or other items. Consider the local scope of Every Woman's Place in Muskegon, Michigan, an empowerment organization for women, youth, and children (everywomansplace.org), versus the larger community of the American Association of Retired Persons (AARP). The community for Every Woman's Place is defined by geography, and for AARP, community is defined by age and membership. In all cases, a nonprofit needs to define its community before it can presume to build a relationship with a foundation.

Second, driven by the community definition, the nonprofit must gather significant data about that community. What is going on in the community? Economic and political data are important. Trends are enormously important so data from multiple years must be gathered. Other comparative data may also be important for comparison such as data from different geographies, different constituent groups, or different program types. Data from national sources such as the U.S. Census prove a good source for demographics. Other national sources can found through a simple search of the Internet. Local data can often be found from those sources based on county or zip code.

Third, data must also be gathered through focus groups and interviews with key informants such as foundation leaders, donors to the nonprofit, and other community leaders. How does the nonprofit decide who needs to be interviewed? The choice is based on the mission and value review conducted in the first step and on the assessment of the economic and political context conducted in this step. Who are the critical people, and what are the essential organizations that determine the nonprofit's context? Questions in the interviews are strategic in nature. They address the strengths and weaknesses of the nonprofit as well as the opportunities and threats to constrict or expand services. It is important in this step to consider the foundations that operate in the nonprofit's community. What is their leadership style, defined by their mission, values, and grantmaking patterns? Are they engaged in direct charitable activities, and how do they define effectiveness?

The nonprofit also must consider what role the foundations have played in the strategic position of the nonprofit. Have foundations just been funders? To what extent has the nonprofit engaged with foundations or in community collaboration? If the nonprofit prefers a transactional relationship where funding is traded for programming, this can be affirmed at this step, and certain foundations can be found that prefer that to a transformational approach. This assessment produces the information needed to select foundation strategies that work.

Step 3: Act as Foundation Partners

In this step, a nonprofit sets a strategic direction. If the nonprofit decides to partner with a foundation that is transformational in style, the nonprofit needs to prioritize community engagement, internal capacity, and communication.

The nonprofit's strategic direction needs to provide resources including time and funding for the professional and board leadership to be involved in community collaboration. This could include interagency initiatives or community coalitions. Foundation leaders or core constituents need to be involved in the nonprofit's strategic planning, and internal systems need to accommodate timely data collection and effective program evaluation. Finally, the nonprofit's communication must be transparent and must accommodate the foundation's need to focus on impact and effectiveness.

With a clear understanding of internal strengths and external opportunities, the nonprofit leadership can select the foundations that have a matching strategic direction. Thoughtful direction comes from such an understanding.

Summary

Nonprofit professionals are successful when they recognize the diversity in foundations and understand the extent to which foundation leadership in communities is driven by foundation type, size, attitudes, and perceptions. Beyond that recognition is the need for nonprofits to assess their own organization and its leadership style and then to relate to foundations that are a match in expectations and style. A nonprofit can "win" a grant by delivering a program. Ultimately, however, the nonprofit succeeds when, in a strategic and thoughtful manner, it matches its capacity with foundations. Whether a foundation is transformational or transactional, it will look for nonprofits that can deliver through understanding. That is why and how successful nonprofit professionals relate to foundations in communities.

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Leading Nonprofit Partnerships With Government

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Our understanding of how nonprofit organizations (NPOs) relate to government has come a long way in that we now know that the nature of interactions between the two are not just diverse but vary over time and among different fields of service. This diversity and complexity in relations between the two is expressed in a vast array of typologies developed by various nonprofit scholars over the years (Ramanath & Ebrahim, in press). These typologies inform us that relations between NPOs and government agencies, whether federal, state, or local, may be cooperative, complementary, adversarial, confrontational, or even co-optive. Of particular concern to this chapter are predominantly cooperative relations between NPOs that are contracted by government to deliver social services. The recent preponderance of such partnership arrangements in areas such as child abuse prevention, day care, mental health, employment and training, nursing care, prison alternatives, youth development, and numerous other social service innovations begs examination of how such contractual relationships could be best managed. Are there management styles and leadership traits that are particularly conducive to navigating a nonprofit's service-delivery partnership with government?

To address this question, the chapter begins by outlining the factors that have contributed to the increasing complexity in NPO-government interactions including interactions of a contractual nature. The chapter then moves to uncovering the meaning of the term *partnerships* in NPO-government interactions. We then examine some of the key dilemmas for nonprofits in public service provision. These issues include board governance, managing finances, documentation, and reporting requirements while maintaining staff morale, maintaining mission effectiveness and sustaining outcomes over the long run, and retaining an advocacy voice. The details presented in this chapter draw on research conducted by various nonprofit scholars and practitioners including work of the chapter author in such interrelated areas as nonprofit governance, nonprofit-government relations, accountability and collaborative leadership.

Dynamics of Nonprofit-Government Interactions: A Complex Ecosystem

Applying the analogy of an "ecosystem" is an effort to build a broad conceptual framework for understanding NPO-government interactions (Ramanath, 2005, p. 47). In a general sense, an ecosystem refers to organisms and the interconnected environment in which they function. The dictionary definitions of the term include "a biological community of interacting organisms and their physical environment" (*Compact Oxford English Dictionary,* 2003). My usage of the term is solely intended to highlight the progressively complex nature of NPO-government interactions. Like a rainforest or a coral reef, the institutional environment of NPOs is posited as emerging and evolving from relatively less to more complex forms, from sparse to more densely populated, and from low to higher degrees of interconnectedness between the components in its habitat (Ramanath, 2005, p. 47). As an ecosystem evolves, over time, into a more interconnected system of organisms so does the very composition of the species (NPOs and government organizations and all other members in a policy field, such as in health, housing, or education) that constitute it. This evolution in NPO-government relations (in the United States) is briefly reviewed in the paragraphs that follow.

The nonprofit sector in the United States predates formation of the republic. For much of its early years, it operated nearly independently of financial support from the state. Fire departments, schools, orphanages, and hospitals, for instance, primarily relied on private donations, endowment income, and in-kind help. This reliance on private charity was largely a reflection of policy preferences of the time in that the young government was expected to play a minimalistic role in social service provision and voluntarism, and mutual help was hailed as a panacea for most social issues except for those related to child protection, the care of the mentally ill, and juvenile care where state and local governments played a leading role (Smith & Lipsky, 1993, p. 71). In all other areas, private charity played a crucial role. Individual donors, volunteers, members, and beneficiaries of services demanded accountability and effectiveness, but what they sought from the nonprofit was, as Brinkerhoff and Brinkerhoff (2002, p. 8) note, primarily tangible benefits, such as services and value-based benefits. This general expectation from individual donors and others has not changed, but what has changed is the number of "species" that now populate the environment of NPOs and the accountability requirements imposed by each on a nonprofit organization. The values and the effectiveness of nonprofit organizations are not merely assessed by beneficiaries, members, and individual donors but by the government and other oversight agencies, by foundations, the media, and by the public at large. Among the more critical and dominant members of the habitat of NPO-led human service provision is the government at the federal, state, and, increasingly, at the local level.

Government and nonprofit organizations have been working together to produce services since colonial times, but what is new, as Smith and Lipsky (1993) state, "is the *norm* of looking to nonprofits to provide human services, and the substantial dependence of government on the sector [italics in original]" (p. 5). This rise in government as a major player in the NPO environment is attributable to a host of factors many of which are traced to the 1960s and the 1970s when NPOs alongside for-profit players began to be looked on as agents of government as part of a nationwide effort to expand the American welfare state. This fundamental change in the pattern of relationship between government and private sector was labeled by Salamon (1981) as creation of a "third party government." The period, in fact, witnessed the fastest growth in the U.S. nonprofit sector. Nonprofits were perceived as partners to rather than substitutes for government.

Involvement of nonprofit organizations in service delivery was (and continues to be) justified on grounds that it would infuse public service delivery with much needed flexibility, commitment, and cost effectiveness. NPOs were credited with their capacity to "build the networks of trust and reciprocity" (Boris, 1999, p. 3), were perceived as relatively autonomous from political parties, and were expected to be less bureaucratic and more innovative and function as vital instruments for generating social capital and participation to allow democratic societies to function effectively. The shift toward greater NPO-government interaction was further justified on grounds of what Salamon (1987), in a later work, described as "voluntary failure" in that the voluntary nonprofit sector for reasons of philanthropic insufficiency, particularism, paternalism, and amateurism falls short in its ability to effectively deliver social services independently. Government is, in comparison, more efficient with raising and distributing funds and formulating policies that benefit large portions of the public and is proficient at redistributing resources to correct inequities and negative externalities (Young, 2001). As such, government and nonprofit organizations can complement one another in delivering social services. This rise in the "contracting regime" (Smith & Lipsky, 1993, p. 43) not only spurred growth in nonprofits but also "lured a new heavyweight into the human services ring, namely, for-profit firms, including not only a pioneering group of human services for-profits but also several large, well financed, and diversified corporations" (Frumkin & Andre-Clark, 2000, p. 145). This competition from large business firms poses many challenges for human service NPOs, most notably of increasing operational efficiency.

The optimism over NPO-government dependencies of the 1980s gave way to a heavy dose of skepticism under the Reagan administration when federal spending on most social services was cut. Funding responsibilities were reallocated between levels of government, that is, from federal to the state as was the organization of some responsibilities between government programs. In the process, nonprofit organizations were left to rely on state and local funding, and private charity, as before, was called on to fill the gap. Advocacy NPOs, such as the Independent Sector and the OMB Watch (Office of Management and Budget Watch, www.ombwatch.org), mobilized to address concerns about decreases in funding. These years were, interestingly, marked by growth in the nonprofit sector as a whole: The number of employees in all nonprofit organizations increased by 1 million from 1982 to 1987 (Independent Sector, 2001) and private contributions to the sector doubled between 1980 and 1990. NPOs, particularly those involved in employment and training, community health, and social services, were the hardest hit by Reagan-era government cutbacks and in response employed new methods of fundraising and sought new funding sources including Medicaid, fees-for-service, community fundraising campaigns, such as the United Way, and other income-generating activities.

More intentional relationships among the government, private, and the nonprofit sectors have grown in recent years alongside a call for more cooperation not only between nonprofit organizations and government but also between coalitions and collectives of NPOs that are encouraged to work together to achieve greater efficiency and effectiveness in program delivery. Snavely and Tracy (2000) identify a series of federal initiatives, such as the Department of Housing and Urban Development's Continuum of Care program, Access to Jobs program of the Transportation Equity Act of the 21st Century, the Welfare to Work program, and the Personal Responsibilities and Work Opportunities Reconciliation Act of 1996—all of which require NPOs to collaborate with one another and across sectors to deliver services on behalf of government.

Public service delivery recently expanded to include religious organizations among the list of those contracted to deliver assistance. Despite their long-term involvement in human service delivery, the "charitable choice" provision stirred debate and discussion on the pros and cons of public service provision by faith-based organizations (FBOs). Section 104 of the Personal Responsibilities and Work Opportunities Reconciliation Act of 1996 contains a special section that "allows States to contract with religious organizations, or to allow religious organizations to accept certificates, vouchers, or other forms of disbursement" (Personal Responsibility and Work Opportunity Reconciliation Act, 1996, p. 2105) quite like other nonprofit providers but without limiting the religious character of these organizations and without impinging on the religious freedom of the recipients of program assistance. Recent evidence on the administrative and programmatic infrastructure supporting implementation of government grants and contracts has been varied primarily because organizations that make up the faith-based sector are so varied. What holds true for a larger faith-based nonprofit organization, such as the Salvation Army or the Catholic Charities, may not hold true for smaller-sized faith-based NPOs. While the Bush administration of 2001 vociferously supported involvement of religious organizations in social service provision, there was little concrete thought given to how these programs would be administered among the wide and varied range of faith-based participants. A good number of faith-based groups, particularly local congregations and small-sized faith-based NPOs, lack sufficient experience and infrastructure to fulfill government funding requirements (Campbell, 2008; Chaves, 2004).

It is, admittedly, in response to concerns over capacity that intermediary nonprofit organizations of a great variety sprouted across the developmental landscape. State norms and procedures are transmitted to faith-based nonprofit organizations through the medium of intermediary nonprofits who serve vital bridging and buffering roles (Ramanath, 2007). Effective intermediaries are found to share the faith-based values of the NPOs and are powerful members of the "local social order" within which faith-based nonprofits operate (Fligstein, 2001). These intermediary nonprofits are yet another species to have emerged as key players in the ecosystem of NPO-government interactions.

Despite these sophisticated policy developments and a long history with NPO-led delivery, the number of people in need of human services shows no signs of falling. As public funding will decrease or at best remain unchanged, nonprofit organizations will be called on to ever greater degrees to serve as partners with the state, with businesses, and with other nonprofit organizations. This may be a tall order for many NPOs, for the environment surrounding their governance and management has grown more complex, denser, and more interconnected. The ever expanding pie of providers of social services, the increasing competition among nonprofit organizations and among nonprofits and for-profits, mounting pressures on nonprofits to demonstrate greater accountability and performance evaluation, dire need for building capacity for greater NPO-led political advocacy, and demands of greater operational efficiency including building capacity to engage staff time in managing a partnership—all carry with them great risks and challenges for nonprofit social service agencies. How must the leader of such a nonprofit manage the complex ecosystem such that a strategic balance is struck between capacity, support, mission, and values? Before the chapter addresses these tensions, the following section reviews the concept of partnerships as it applies to NPO-government interactions.

The Meaning of Partnerships in NPO-Government Interactions

Over the last 2 decades, federal, state, and local governments have developed a variety of interorganizational arrangements with nonprofit organizations to deliver human services. Such arrangements between governments and nonprofits could range from simple networking (described as partnerships with loose linkages between organizations), which lie at one end of the continuum, to partnerships that are fully "collaborative" (Cigler, 1999, pp. 88–89). Cigler distinguishes partnerships based on the complexity of their purpose, the intensity of linkages between members, and the extent of formality in agreements reached. Cigler defines collaborative partnerships as those that entail strong linkages between members and have a specific purpose that is both complex and long-term in nature.

Koebel, Steinberg, and Dyck (1998, pp. 48–52) propose a taxonomy of public-private partnerships based on the extent of power sharing among partners. They build their taxonomy on what they identify as three critical dimensions: the extent to which decision making is shared, the duration of the agreement, and the division of responsibilities across partners. Standardized public services can be provided through partnerships with little power sharing through competitive or preferred contracting. Even when the government writes up a service provision contract with a chosen nonprofit because of its special efficiency or in the absence of alternate providers, Koebel et al. (1998) point out that there indeed could be elements of a "true partnership," that is, of greater power sharing among partners. This may happen because (a) the nonprofit may have discretion over the terms of the contract or (b) the nonprofit may have discretion over implementation and as such could demand a renegotiation of the terms. Greater degree of power sharing is achieved through franchise provision (where government creates or adopts a particular program that can be provided through multiple providers). Where greater uncertainty exists over program requirements (perhaps due to variations in local contexts), fuller power sharing among partners is required.

Smith and Lipsky (1993, p. 224), in contrast, describe NPO-government contractual relationship in social service provision as inherently tipped to the side of the government such that "governments tend to have the upper hand" (p. 224). They argue that over time "government priorities and controls increasingly structure the procedures and priorities of nonprofit providers" (p. 206). Grønbjerg (1993) writes that the manner in which contracts operate "creates a world of uncertainty and ambiguity that easily lends itself to goal displacement and may compromise the nonprofits themselves, their missions, and funder objectives" (p. 261). Sanger (2003) finds that some NPOs may cherry-pick their clients so that performance measures are easily met (p. 37). Bernstein (1991) similarly refers to contractual delivery as "this ongoing, messy process of accommodation and affirmation" wherein the NPOs find ways to manipulate numbers and show positive outcomes to retain their grantee status (p. 178). Her research finds that nonprofit managers often play the "game" and tend to cope and manage the stress and conflict entailed in meeting numerical targets by concentrating their efforts and energies on the client, that is, the intended beneficiary (p. 433).

In line with DeHoog (1990), Brown and Troutt (2004) place the responsibility for successful contractual relationship (and hence a "true" partnership) squarely in the hands of government. They note that within the ranks of government, the political regime must ensure that funding to the program is stable and predictable so that planning is possible and a trustworthy relationship can develop between the NPO and government agencies involved. Program officers in government must be knowledgeable; creative; willing to share a clearly articulated, common mission; diligent in their accountability duties; and willing to enforce standards while respecting the independence and expertise of organizations. Brown and Troutt (2004) conclude that "a participatory process with significant input from the sector [nonprofit sector] into the design of standards, contract terms, and accountability criteria minimizes organizational stress and contributes to a trusting, collaborative, long-term relationship in which both parties can work together smoothly to fulfill a common mission" (p. 25).

Are there measures that nonprofit leaders may put into practice to help build true partnerships and more importantly to help safeguard the organizations' interests as it goes about fulfilling its contractual obligations? The following section will outline some of the key issues in nonprofit governance and the measures that may be taken to effectively lead the nonprofit organization through the game of partnering with government.

Dealing With the Perils and Pitfalls of the "Contracting Regime"

The leader of a nonprofit organization unlike the leader of a government or of a private for-profit enterprise faces special challenges in management. Leaders of nonprofit organizations have a social change mission: a mission that demands balancing values with ambition, greater relevance and impact with efficiency, and technical competency with the ability to inspire (Smillie and Hailey, 2001, p. 133). "Nonprofits," as Frumkin and Andre-Clarke (2000) note, "must create value within operational and environmental constraints that are at once more complex than those faced by corporations and more opaque then those confronted by government" (p. 160). In addition to these hefty demands on a nonprofit leader, is the demand for his or her critical ability to manage partnerships with a range of stakeholders many of whom place competing demands and expectations on the organization. A key member of this stakeholder group, as reviewed in an earlier section, is the government. How is one to negotiate these responsibilities and the inherent tensions such that the mission of the nonprofit toward its client community and its members is served?

Prior to the onset of what is popularly described as the *contracting regime*, NPOs relied primarily on a pool of dedicated, passionate workers; on endowed income; and on individual and in-kind contributions (Smith & Lipsky, 1993). This was the case for many social service nonprofit agencies prior to the 1960s. As Smith and Lipsky describe, "simply put, they were striving to accomplish group purposes" (p. 186). Many nonprofits today, in contrast, must engage with the government to both protect and to expand their financial base. Following the 1960s, many NPOs were indeed founded in response to the availability of government funds. The very decision of seeking funds through contractual arrangements is one that the board and the executive director must weigh carefully. In their pursuit of continued survival and stability, nonprofit organizations are likely to seek opportunities such as those afforded by a government contract. Government funding is often considered the most stable source of revenue for nonprofits. Scholars have, however, deduced a multitude of issues and tensions that can and do arise when NPOs choose to cooperate with the state.

It is worth noting that partnership with government may not be every NPO's cup of tea. A careful, detailed assessment of how an NPO's mission and capacity aligns with the intent of a government grant or contract is critical at the board of director's and the wider organizational level. While some NPOs may categorically decide not to seek government funds, still others may legitimately cite shortages of time, money, and staff to enter and manage such contracts. Some NPOs, for instance, are created in opposition to governmental priorities and would, on principle, not seek working with government. Willingness or otherwise to engage in partnerships with government is additionally related to the nature of client's needs, as well as the perceptual frames and past experiences of its founding members and staff (Ramanath, 2005). Gazley and Brudney (2007) note that, despite great similarity in goals between the two sectors, there is greater reluctance and fear among NPO executives than among their government counterparts to engage in partnership arrangements (p. 411). Such reluctance or proclivity to partner with government is related more to "concerns about internal capacity and mission, rather than external factors such as statutory pressure" (p. 411).

In detailing the issues involved in cooperative relations with government, this chapter focuses on service delivery partnerships wherein a government agency, whether at the federal, state, or local level, funds an NPO by way of a direct grant or a contract. Most scholarship on NPO-government relations, as Smith (2000, p. 183) notes, is focused on direct government funding in the form of grants or contracts. However, it must be kept in mind that government contributes to nonprofit revenues in a variety of ways comprising fees and third-party payments, tax credits and deductions, tax-exempt bonds, and regulations that stimulate NPO service provision. The chapter does not address these other forms of contributions but, instead, focuses on the most extensive yet competitive form of government funding to nonprofit human service providers, namely, through the medium of direct government grants and contracts.

Choosing to Apply for a Government Grant or Contract: The Role of Boards

First and foremost is the very composition and role of the board of an NPO. Public funds demand creation of structures and processes that are akin to the board of a business enterprise. The bureaucracy of public service delivery and the desire to maintain financial stability may consume executive leadership to such an extent that the NPO may be mired in a "subsidy trap." This occurs, according to Brooks (2000), when NPOs that receive a large portion of their revenues from government sources structure their organizations to continue receiving government support. Administrative requirements of managing grants can thus dictate, for instance, the extent to which the board is involved in resource development activities. This can be risky, for it means that board engagement is minimized and a considerable proportion of resource development activities rests in the hands of the executive of the NPO. NPOs that do rely on government funding find the executive director in the powerful position of being able to self-appoint the board. Smith and Lipsky (1993) find that the boards of government-sponsored agencies "are less affluent than were board members of traditional agencies, in part because they are not expected to contribute their own money to an organization funded primarily by government" (p. 77). Unlike traditional charities and new community organizations, government-sponsored agencies are those set up in direct response to government funding and as such rely wholly and almost exclusively on government funding (Smith & Lipsky, 1993).

Although not involved in direct fund development, NPOs with heavy reliance on government funding may attract board members with connections with high profile political leaders that are able to help with key negotiations and contract renewal. Thus, not all board and executive leadership changes required of and brought about by reliance on government funding are necessarily "bad." What the chief executive of an NPO must keep in mind is that heavy reliance on a singular source of funding creates room for a board that plays a limited role in fund development. Akingbola (2004, p. 455) finds that some nonprofits may become so dependent on government funding that they are forced to "close shop" when government funding dries up. Private fundraising efforts must be pursued simultaneously such that the perils of a subsidy trap are minimized and the board feels vested in such areas as strategic planning, committee involvement, and resource development. In their research on nonprofit social service agencies, Hodge and Piccolo (2005) find that "agencies that encourage board involvement in planning, for example, appear to be less vulnerable and will be more likely to deliver services over a greater period of time" (p. 184).

Board-level assessment of an NPO's willingness and ability to enter a contractual arrangement with government entails, among other aspects, an honest assessment of its capacities to handle the reporting and accountability requirements of a grant or contract. The following section covers how such demands may best be managed by an NPO.

Reporting and Accountability Requirements

The growth in public social welfare expenditures over the last 4 decades has brought with it new and heightened demands on nonprofit organizations to demonstrate their effectiveness in both financial and programmatic areas. These reporting and accountability pressures are not exclusively felt by the nonprofit sector but "are part of a larger trend across the service provision sector, affecting both public agencies and private providers" (Christensen & Ebrahim, 2006, p. 196). Nonprofit organizations can be accountable on multiple levels: upward, lateral, and downward. *Upward accountability* implies accountability to individual and institutional donors and oversight agencies and is enforced to ensure that the resource distributed to a nonprofit is used for the earmarked purpose, and this is monitored through reporting, auditing, and other evaluation and monitoring activities. Such reporting and evaluation, it is found, can interfere with a nonprofit's obligations to its lateral and downward constituents. *Lateral constituents* include an NPO's responsibility to itself, comprising its answerability to its own mission and externally to its key stakeholders. *Downward accountability*, on the other hand, implies its accountability to its clients and beneficiaries. The two latter forms of accountability are, as Christensen and Ebrahim (2006) point out, "more often a result of felt responsibility" and are realized through less formal methods than is upward accountability (p. 196).

Why is discussion of various accountabilities critical to our discussion of leading NPO-government contractual partnerships? Najam (1996) states that nonprofit organizations must internalize the complex layers of accountability demands so that they can "begin creating mechanisms and organizational structures that are equally accountable to their patrons, their clients, and to their own selves" (p. 352). These new demands on nonprofit organizations require that executives develop new skill sets and mediate reporting requirements with government funders and furthermore create a staff culture that both appreciates and finds value in the bureaucracy of a contractual relationship. The executive must, as Smith and Lipsky (1993) note in their influential research, "identify measurable stages of client progress, design improved record keeping systems, and insist that staff keep better records, track client success, and summarize client outcomes in ways that satisfy sponsors (and, it is to be wished, aid the agency in improving performance)" (p. 81).

Christensen and Ebrahim (2006) are more optimistic and find that the demands of upward accountability need not necessarily stifle mission achievement in an NPO. They suggest a host of strategies that nonprofit organizations may choose to implement to better balance various levels of accountabilities listed above, as follows:

1. Enhanced communication between funders and recipients (i.e., between program officers in government and between NPOs) are critical to helping balance various levels of accountability. They find that upward accountability (in the case of this chapter, to government) is likely to be perceived onerous by NPO staffs if they do not see any value to such reporting for their own decision-making processes and activities. If upward accountability is to be satisfactorily realized, then mechanisms must be negotiated and must be mutually planned such that they are beneficial to the NPO and the clients they are seeking to serve.

2. Internal activities, such as staff meetings and community training (lateral accountability measures), appear to result in improving other levels of accountability. In other words, if staff members view reporting and evaluation on mission achievement as part and parcel of their job profiles, the demands of upward accountability to a funder such as the government will be more easily realized.

3. Staffs in NPOs typically do perceive downward and lateral accountability as their fundamental means to realize NPO missions. As such, executive feedback on their performance in these areas is critical to help maintain staff morale in the face of high reporting requirements. Christensen and Ebrahim (2006) note, "The implication for funders interested in long-term outcomes is that while upward mechanisms are oriented primarily to the measurement of outcomes, downward and lateral mechanisms can enable the achievement of those outcomes (and mission)" (p. 207).

The following section discusses how plans to enter and manage the details of contractual delivery must go hand in hand with discussions about how best to sustain desirable program outcomes over the long run.

Sustaining Outcomes

Government funding of a nonprofit organization is not intended to go in perpetuity. NPOs contracted by the government are supposed to take ownership and maintenance of programs when funding draws to a close. Contract renewals, while desirable for an NPO's budgetary stability as well as staff, client, and program retention, may not happen. Such uncertainty is particularly true for service areas where the extent of interdependence between government and nonprofits is yet to be fully accepted by government (health care being a notable exception). A majority of NPOs are working in areas that are yet to be embraced enthusiastically as part of government policy. Such NPOs need to prepare for the reality that government priority could change. Such changes may be a response to a variety of different pressures that governments themselves face such as having to meet newly identified needs, reallocate funds in response to budgetary shortfalls, and associated program cutbacks.

Akingbola (2004) points to the difficulty that a nonprofit may face in "sustaining and developing competencies it has acquired through the focus of government funding on specific services" (p. 462). This is particularly true of term limited contracts because unless renewed, the NPO would find it challenging to retain staff beyond the contractual period. This may result in less training dedicated to staff due to uncertainty in retaining the contract and even cause attrition of critical staff. Nonprofits tend to shy away from developing continuous improvement plans when government contracts fail to see beyond term limits. Shediac-Rizkallah and Bone (1998) inform us that NPOs need to pay attention to three sets of factors when entering into any type of funding arrangement with an institutional donor: project design and implementation, organizational setting, and broader community environment. Some of these factors, they note, are more amenable to control by program staff than are others. Aspects such as the extent of community involvement in program planning and implementation, training community members to maintain the program independently, choosing an organizational base for the program or program components, and cultivating and nurturing program champions and advocates—are all critical components to sustenance that program staff can well control.

This stated, the possibility of sustaining program or project outcomes beyond government funding is intricately tied to the motivations that guide the very choice of seeking government grants and the extent to which leadership in close coordination with the program staff (in both the NPO and government) are vested in implementing the program to realize quality community-level outcomes. This is well summarized by Shediac-Rizkallah and Bone (1998, p. 105) when they state that the process of sustainability is unlikely to be significantly facilitated until funders and policymakers alter their funding practices (i.e., programs must be driven by the needs of communities rather than by those of donor agencies and experts); unlikely unless designed with local capability in mind; unlikely for long-term sustainability unless enough resources are allocated to yield initial success; and lastly, unlikely unless allocating resources to cover the maintenance and recurrent costs of existing programs or services with a proven track record rather than making investment decisions that are biased toward spending on new programs.

A final key concern is that of maintaining an advocacy voice through the various stages of a grant or contract, that is, from the stage of design to implementation and beyond.

Policy Advocacy

NPOs play an advocacy role in all types of relations with government. Najam (2000, p. 391), for instance, identifies advocacy not as a relationship type but a function of NPO-government relations. As such, Najam (2000) draws a distinction between activist and persuasive advocacy. In a similar vein, Lewis (2001, pp. 44–56) distinguishes between a radical and liberal view of civil society and associates each with two different forms of advocacy. While the radical view is commonly associated with outright revolution, the liberal, more dominant, view is characterized by an emphasis on incremental reform of government (with careful negotiation, balance, and harmony). Although the lines between the two forms of advocacy are highly blurred, advocacy of the liberal kind is more prevalent in the human service provision in the United States. Much policy change and programmatic negotiations take place behind closed doors and are thus more cooperative than confrontational.

Advocacy is an umbrella term and lobbying is one among other forms of advocacy. Berry and Arons (2003) draw the distinction between administrative and legislative lobbying. While all nonprofits that deliver social services do engage in administrative lobbying in that they seek to influence agency administrators who may in turn transmit client needs to legislators, few engage with legislators directly (i.e., few, if any, lobby). Public charities face restricted lobbying regulations in that the Internal Revenue Service (IRS) limits their ability to lobby beyond a "substantial" degree (for a detailed discussion on the history of NPO lobbying regulations, see chapter 5, Berry & Arons, 2003, pp. 47–65). The result of the regulation is that far too many NPOs are intimidated by the ambiguity of the restriction and refrain from being involved in the governmental process altogether. The hesitation to lobby the legislature is particularly acute for those that receive government funding and thus fear "biting the hand that feeds them" (Schmid, 2003). Salamon (1995) disagrees and finds, instead, that government financial support and the extent of political and advocacy activity is positively correlated. Government funds, he finds, increase the extent of political activity and thus are beneficial for NPOs that desire being politically active.

Besides NPO ignorance and widespread fear to influence the governmental process, some NPOs cite budget, time, and capacity as important constraints to participation in policy advocacy. Some reject advocacy as a mission or limit the extent of their advocacy citing paucity of funds. It is, for instance, reasonable to expect NPOs with larger budgets, more staff, and more volunteers to engage more extensively in advocacy and political activity. Larger organizations with greater political leverage can alter the power parity and using various strategies and tactics, can make the government dependent on its services (Ramanath & Ebrahim, in press).

Berry and Arons (2003), however, argue that "the reality of tight resources should not become an excuse for inaction" (p. 163). Developing an advocacy agenda, they note, must be treated as an incremental process wherein as an NPO grows or as government grants and contracts increase in proportion to revenues, managing relations with government will loom larger in NPO activities. They suggest a series of steps that NPOs may undertake to better manage relations with government. These include (a) allocating staff whose exclusive responsibility is to build relations with government, (b) developing lobbying as an everyday task rather than as an activity that is only undertaken in the face of a grave threat or emergency, and (c) building a database of valuable information that is strategically packaged and can be used by a government agency. Berry and Arons note that "having an agency utilize an organizations [NPO's] data base is the optimum position for an interest group" (p. 164). Small NPOs could furthermore form coalitions to enhance their political voice and may further collaborate with nonprofit intermediaries (explained in an earlier section) that are comparatively well established, are better networked, and could potentially help overcome capacity shortfalls. Schmid, Bar, and Nirel (2008) advocate for the use of volunteers who unlike directors of NPOs, "can be more assertive and persistent in negotiations with policy makers" (p. 597). Many volunteers, they note, have substantial professional experience and are well connected with key personnel in government agencies "which they can use to promote the organization's political activity and espoused goals" (p. 597).

What is lost to many nonprofit organizations is that advocacy could take numerous forms that range from sending newsletters and annual reports to local, state, and federal policymakers to inviting them to events and informal visits, to periodically visiting them and occasionally recognizing them, and to engaging in legislative lobbying. NPOs, without doubt, play a vital role as social service providers. Irrespective of the form of advocacy, engagement with policymakers is of critical importance to all NPOs including those that receive a large proportion of their resources from government. It is certainly possible to argue that engagement in service delivery, by itself, is a means to influence public policy. What is being emphasized here is the need to negotiate the terms and conditions of the contract and to continually keep lines of communication with government, alive.

Failure on the part of an NPO to engage in advocacy is a failure not merely to exercise influence on government but also amounts to losing the opportunity to educate one's clientele about the workings of government and instilling a spirit of civic and political engagement and hence strengthening democratic ideals (Berry & Arons, 2003). This is a vital loss for all nonprofit organizations and may compromise their mission in the long run. Government is, after all, a vital source of funding for NPOs contributing up to 20% to the revenues of non-health-related NPOs in the United States and a far larger percentage to the revenues of human service providers (Berry & Arons, 2003, p. 8). In Berry and Arons's (2003) study sample of 59 public charities, government support made up 33% of the revenues of the participating organizations. This "underestimates the true level of assistance since some of the income that nonprofits count under services are fees paid through government programs" (p. 10). Berry and Arons forcefully argue that "the poor and other disadvantaged constituencies certainly do not have the discretionary income to join interest groups" (p. 8). As such, registered 501(c)(3)s, that is, NPOs, must take the primary responsibility of representing the underrepresented in the halls of government.

Summary

Leaders in governments, businesses, and nonprofit organizations are increasingly aware that they are least likely to address, let alone solve, complex social problems on their own. Government at the federal, state, and more importantly at the local level has come to occupy a decisive position in the ecosystem of NPO delivery of human services. For several NPOs that deliver services to low-income individuals and families, the government acts more as a complement than as an adversary and looks to NPOs to deliver mainstream, critical services under its directives. This nature of interaction between the two has brought about significant displacement, substitution, and realignment in nonprofit activities over time. While initial debates and discussions centered on the pros and cons of NPO-government interaction, more recent discussions focus on how best to tackle the new, more variegated and dense environment surrounding management of NPO partnerships with government agencies.

Pressure both from within and without an NPO to enter cooperative arrangements with government agencies is indeed a formidable challenge for any leader. It is particularly demanding on a small or medium-sized NPO that wishes to expand its financial base while also improving the coverage and effectiveness of its services. Despite the complexity of the work, the game of managing partnerships can indeed be played and played such that a healthy balance is struck between capacity, support, mission, and organizational values. Drawing on empirical and theoretical work of a variety of scholars, this chapter discussed some of the key issues that must be dealt with prior to and in course of such service delivery. When considering grant or contract funding from a government agency, board members should be mindful of raising questions and concerns in such areas as mission alignment, autonomy, resource parity, culture for service delivery, size, leadership style, real and opportunity costs, the crafting of terms and conditions of agreement, and in monitoring intended outcomes. The level of board involvement in each of these arenas may differ depending on the complexity of the partnership and the type of NPO, yet their role in leading discussions and debates on how a potential grant or contract may impact organizational performance is critical. The director on his or her part must shoulder the responsibility of creating and sustaining an organizational culture that values and sees the bureaucracy of reporting and evaluation as an opportunity to improve staff performance and maintain morale and hence improve client outcomes. The time limits of contracts and the variability in the political environment demands that NPOs give serious consideration to sustenance of effective program outcomes. This may be achieved by involving communities in program planning and implementation, training community members to promote program maintenance, choosing an organizational base for the program or program components, and nurturing community-wide advocates for program continuation.

A final key consideration is the need for retaining an advocacy voice within the NPO, that is, a voice that persistently speaks on behalf of the needs of its underrepresented clientele. This may be achieved through multiple means including forming coalitions to enhance political voice, collaborating with nonprofit intermediaries that are comparatively well established, are better networked, and could serve as vital bridging and buffering agents with government. Other scholars advocate for the use of experienced, well-networked volunteers who unlike directors of NPOs can unreservedly negotiate with policymakers and serve as champions for contract renewal or favorably negotiate terms and conditions of a grant or contract.

Despite a host of issues and dilemmas that NPOs are likely to face in service delivery with the state, it is important for leaders to recognize that financial dependence on government funds, even to a large extent, does not have to translate to organizational (NPO) dependence. Deliberate steps may be taken to maintain a strategic balance. This chapter is a modest attempt to summarize some of the key steps that leaders of NPOs can take to achieve the common end of delivering public good through contractual relations with the state.

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60

What Nonprofit Leaders Should Know About Basic Economic Principles

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It is likely no coincidence that Adam Smith's (1776) *The Wealth of Nations*, considered by many the origin of modern economics, was published the same year a fledgling nation issued its Declaration of Independence, which asserted, "we hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness" (Armitage, 2007, p. 56). These documents serve as evidence of the contemporary philosophical thinking in the late 18th century, ideals that further fashioned our current understanding of basic economic principles:

- All acts are *rational.*

  People seek to maximize happiness   also known as utility.

  Businesses seek to maximize profits.
- Resources used to achieve those ends are perpetually *scarce.*
- Decisions are made so that *new benefits exceed new costs*. Every decision involves choice concerning how to best use and distribute those precious gifts.

Yet it has become common practice to substitute the pursuit of happiness with greed and economics with finance. The task of large, publicly traded for-profit companies—the fiduciary responsibility—is to create wealth for its shareholders. Because 87% of sales in the United States are generated by these firms, the vast majority of our time focuses on the actions of those profit-oriented firms (McConnell, Brue, & Flynn, 2009). However, from an employment perspective, only 1 in 5 Americans is employed by these firms (Nickels, McHugh, & McHugh, 2005). Yet on any given evening's national or even local nightly newscast, the focus of the day's business events will more often than not have an eye toward these large financially focused organizations.

One goal for this chapter, and an altruistic charge to undergraduate students, is to return the focus of economics back to its origins. The definition of economics traces its etymology to the Greek *oikonomos*, which refers to the concepts of care or stewardship of the resources that a household (or a nation) has with which to provide for its dependents (Singer, 1991). For example, take two large companies, a nonprofit, such as Habitat for Humanity, and a publicly traded for-profit, such as Microsoft. Microsoft may contribute to the happiness of consumers by providing software to make run our computers. But it made its investors even happier by earning \$17.7 billion in profits in 2008, paying out \$4 billion in dividends (Microsoft, 2008). Habitat for Humanity, driven by social welfare to improve community well-being, sought to make its customers happy by providing housing for the underprivileged. In so doing, they succeeded in earning a \$59 million profit in 2007, all of which was reinvested (Habitat for Humanity, 2007). To say that Microsoft is ignorant of economics is untrue; but Habitat for Humanity in its efforts to provide care seems more aligned to *oikonomos* and the true spirit of the origins of the discipline of economics.

Keeping in mind care as a driving principle in economics, those who study economics in its native form agree that economic efforts are driven by the desire to be efficient across two dimensions:

1. *Productive efficiency* production should use the smallest amount of scarce resources, output needs created with the least inputs possible.
2. *Allocation efficiency* when successful at productive efficiency, businesses keep prices low and produce more output. Consumers can afford to purchase the optimal mix of goods and services to create happiness.

How Nonprofits Are Affected

Nonprofits, while exempt from taxation, are not exempt from the basic principles of economics. However, there are two particular dimensions above to which a nonprofit modus operandi may differ significantly. First, it must be dispelled that nonprofit organizations are not interested in profit. On the contrary, while their missions may not be driven by the profit motive, the ability to retain a portion of annual income for the purposes of reinvestment and self-sufficiency is tantamount for sustainability (McDonald, 2007). Indeed, the church that cannot adequately retain some funding for future use will likely find that divine intervention is less reliable than a profit orientation.

The difference then is in the amount or degree of profit that they may seek. It is unlikely that a nonprofit and its stakeholders would accept the $4.55 billion profit that Exxon Mobil posted in the first quarter alone of 2009; nor would they accept the $1.427 billion dollar loss posted by the Ford Motor Company during that same time period (Exxon Mobil, 2009; Ford Motor Company, 2009). Rather, they may be more oriented toward, as Herbert Simon called it, a *satisficing* approach (1957). Under this method, the nonprofit sets a reasonable profit target that is consistent with the expectations of its key constituents, including its board, management, employees, and customers.

The second significant difference is the way in which nonprofits fill the gaps left by allocation inefficiencies. When considering the market for services such as legal counsel, one recognizes that service providers are highly educated professionals whose market values command fees that exceed several hundreds of dollars per hour. The prices of these services are prohibitive to those who cannot afford them, and thus, those people and society as a whole experience less happiness. This creates an opportunity whereby an individual or an organization can provide services pro bono. So what would underlie a lawyer's willingness to accept submarket rates for services rendered? The answer is provided by the third economic principle, *marginalism*. That lawyer recognizes that her happiness in life is greater when benefits exceed costs. She might lose $500, the opportunity cost of one hour of her time providing council for free, but her recognition of the intangible benefits—the positive feeling of aiding a fellow person, the smile on that client's face, or the knowledge that justice can be served—must exceed the chance to bill someone else who could afford her time. In that way, respecting the definition of economics as rooted in care, the pursuit of happiness for one person can and will include the betterment and happiness of another, which in turn creates a human condition that is perpetually advancing due to rational, self-interested behavior. It is this particular facet that makes nonprofit a necessity in every economic system.

Why This Study Is Important to Undergraduates

Recent employment trends indicate that an increasing number of young professionals are choosing to pursue careers in nonprofit management (Tschirhart, Reed, Freeman, & Anker, 2008). As the lines between managing for-profit and nonprofit businesses converge, it is imperative that undergraduate students have at least a cursory knowledge of the economic principles that are so regularly embraced in the larger business sector. As the world of business evolves to include more overt attention to issues of business ethics and justice, as evidenced by the emergence of the triple bottom line—people-social, planet-environmental, and profit-stakeholders—the undergraduate student who articulates the sense of caring embedded in the original concept of economics is in a unique position to succeed (Grisham, 2009). If embraced by future leaders, this balanced, analytical perspective of marginal benefits exceeding marginal costs may permeate both for-profit and nonprofit organizations in an implicitly conjoined pursuit of the enhancement of societal well-being.

The Circular Flow

Now that the basic principles of economics are understood—rationality, scarcity, and marginalism—it is imperative to describe how the participants in economics—*businesses*, *consumers*, and the *government*—come together. The buying and selling of goods, services, and resources in return for cash flows exist in an environment of mutual interdependence. These interactions and transactions are articulated in the circular flow shown in Figure 60.1.

In a limited summary of key interactions, people proffer their labor resource in exchange to businesses who use that input in conjunction with other resources—such as raw materials—to produce the products and services that consumers can buy using the wages paid to them by these producers. Each of the two parties is interlocked in a relationship where both acknowledge each other's motive, profit making for the business and the pursuit of happiness for the consumer. Each arrow in the diagram represents the flow of both a tangible item, for example, a product such as a cheeseburger or a resource such as labor, as well as a monetary flow, for example, consumer expenditures or wages.

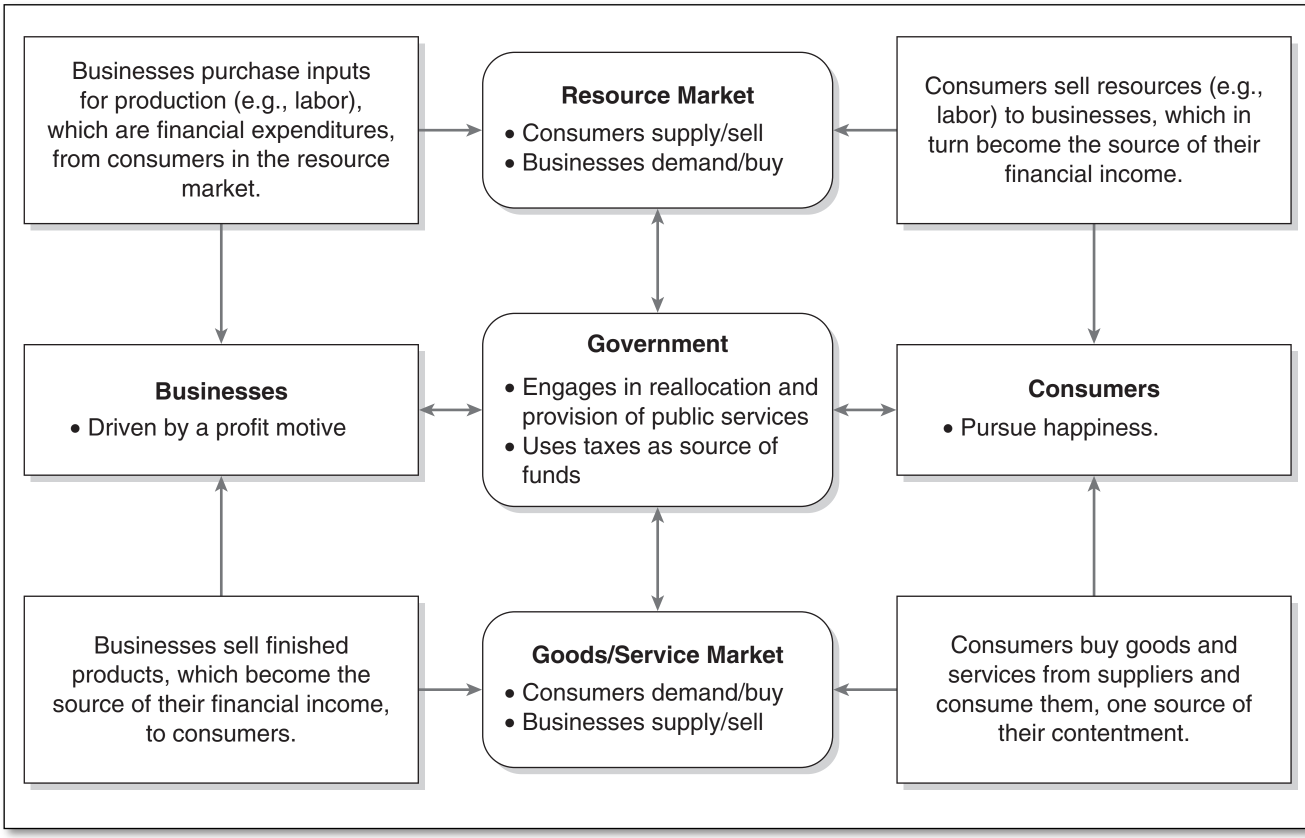

Figure 60.1 The Circular Flow

The key takeaway in reflecting on the circular flow is to realize the need for symbiosis between the participants. In a competitive, reasonably free market system as exists currently in the United States, there can be few interactions as desirable as a person going to work at a job he or she enjoys and getting paid a wage that allows him or her to consume products that both sustain and entertain, saving a bit of the income for future use and paying reasonable taxes to a government that provides infrastructure, defense, health care, and education.

How Nonprofits Are Affected

Nonprofits exist within the businesses box. The role of all businesses is to create and sell, at a profit, products and services by purchasing the appropriate mix of resource inputs. This may not always bode well for social well-being as if left unchecked, firms would pursue only profitable activities. The nonprofit then serves as a socially oriented organization correcting for the shortfalls of the market. The response from firms in the nonprofit space, such as the American Red Cross, was to be expected in the wake of Hurricane Katrina; on the other hand, one would not predict with equal certainty that the investors of firms who produced the pumps, cleaning supplies, heavy machinery, and food stuffs consumed by the Red Cross would allow those firms to act with equal selflessness. The government in recognition of the critical space nonprofit organizations occupy intervenes to reinforce the role of caregiving in the profit-oriented marketplace by adjusting the flows in the circular flow.

As evidence of its desire to encourage the formation of nonprofits, the government provides an exemption from corporate taxation. For the nonprofit, the arrow representing cash flows between businesses and the government is unidirectional. The government provides flows in the form of grants and direct support to the nonprofit but does not demand tax flows in return. Salvaging these tax funds allows the nonprofit to invest a greater percentage of its revenue in the provision of its services while concurrently providing an incentive for entrepreneurship (Auteri, 2003). Business operators interested in investor returns and in social returns find the government a willing partner in the formation of new opportunities to create wealth—defined more broadly than financially.

The second principle that affects the nonprofit organization is the redistribution of income. Many nonprofits track and monitor the percentages of their income by sources, especially in regards to government funding (Luksetich, 2008). Given the fiscal policies of our government, the nonprofit is affected within the circular flow by being able to access governmental funding with the consumer as the second tier conduit. When broken into deciles, in 2006, it was estimated that greater than 50% of the annual income in the United States accrued to the highest income-earning households, while less than 4% of income accrued to the lowest 20% of households (U.S. Census Bureau, 2007). With its progressive tax system, the United States engages in a practice of taxing higher income earners and redirecting those monies to the lesser earners. These inflows represent additional sources of consumption expenditures that may enable targeted populations to consume additional goods and services. The nonprofit organization can fill gaps in market systems by providing critical goods and services in exchange for a modest revenue stream that flows from the government first through the consumer and ultimately back to the nonprofit business. This indirect revenue stream increases the funding nonprofits receive from the government and provides more opportunities for sustainability.

The Macroeconomic Environment

To the three key economic principles—rationality, scarcity, and marginalism—have been added the interdependence of the three key constituents: businesses, consumers, and the government. It is now important to frame the larger context in which nonprofit businesses operate. Macroeconomics is generally defined as an examination of the economy as a whole and primarily attributable to the operations of a nation such as the United States (Samuelson & Nordhaus, 2004). By aggregating and estimating all the economic interactions, macroeconomics interests itself in issues such as output, income, employment, prices, and production as a whole.

While the study of macroeconomics is a wonderful endeavor, especially in light of an ever-globalizing business environment, there are two facets of macroeconomics that have policy implications that are of extreme relevance to nonprofit organizations. First off, it should be noted that in the context of the U.S. economic system, researchers have identified three common goals: *growth*, *full employment,* and *price level stability* (McConnell et al., 2009). Three aggregate measures of macroeconomics help to determine if these three goals are being met: gross domestic product (GDP), the unemployment rate, and the consumer price index (CPI), respectively. Collectively, they can determine the overall economic conditions in the domestic economy, which in turn will affect the policy decisions that are made to attempt to stimulate or curb economic growth. Table 60.1 presents a summary of common conditions seen among these relationships.

When in a recessionary environment, expansionary *fiscal policy* infers increases in governmental spending on items such as schools, infrastructure, and defense, and it is often accompanied by a reduction in taxation. These measures are intended to remand money for consumption back to consumers and to provide additional revenue sources to businesses that can be used to hire workers. Both of these elements existed in President Obama's 2009 American Recovery and Reinvestment Act (Fremstad, 2009). Conversely, when in an inflationary environment, contractionary policies, the inverse of expansionary policy—increases in taxes and decreases in government spending—are implemented. These types of policies led to the balancing of the budget during the Clinton administration (Elmendorf, Liebman, & Wilcox, 2001).

The above actions are those taken by the executive and legislative branches of the government. Additionally, there is a partnership of the Federal Reserve System (also known as "the Fed"), the central bank of the United States, with the *monetary policy* that creates a flexible yet stable monetary supply to fuel both consumption and expansion. In concert with expansionary fiscal policy, the

(T) Data Measured	*Direction*	*Economic Environment*	*Traditional Fiscal Policy*	*Traditional Monetary Policy*
Gross domestic product growth	Declining	Recessionary	Expansionary	Easy money
Unemployment	Rising			
Consumer price index	Declining			
Gross domestic product growth	Rising	Inflationary	Contractionary	Tight money
Unemployment	Declining			
Consumer price index	Rising			

Table 60.1 Macroeconomic Measures and Traditional Policy Outcomes

Fed will adjust its target interest rates to spark economic activity in what is termed an *easy money* policy. When the desire is to stimulate growth, the Fed will take actions, primarily lowering its key target interest rate, to make money more available to consumers and businesses alike. Conversely, in concert with a desired reduction in economic growth, the Fed will employ a *tight money* policy in which the key target interest rate will be raised to provide a disincentive to borrowing and spending and an incentive to savings.

How Nonprofits Are Affected

Nonprofit organizations are highly affected by operations in the macroeconomy as well as by the policies that correspond. In times of economic stagnation, the first likelihood is that nonprofits will suffer as it relates to their ability to fund raise. Research has shown that for every 100 points gained in the Standard & Poor's 500 Index, approximately $600 million is lost in philanthropy (Indiana University Center on Philanthropy & Giving USA Foundation, 2009). However, these funding shortfalls from the private sector may be somewhat offset by new spending by the government sector. However, historically these monies are allocated for infrastructure projects that are highly correlated with employment (Bateman & Taylor, 2007). Thus, social and human service agencies are likely to not see substantial portions of these increases in government spending. It may also come to pass that monies originally earmarked for human service spending are allocated toward other projects in the short-term as states and the federal government respond to the decrease in their tax inflows. The likelihood, then, is that the nonprofit will be adversely affected in periods of slowed economic growth.

Alternatively, expansionary fiscal policy is often coupled with easy monetary policy accompanied by a lowering of interest rates. So while sources of annual operating or fundraising capital may diminish in the short run, sources of debt capital are generally much easier to access and at substantial interest expense cost savings. But nonprofits must be cautious not to rely too heavily on borrowing as potential donors may not be interested in paying for interest expense.

The opposite is often true during a period of quickened economic growth accompanied by the contractionary fiscal policy and tight monetary policy. The growth of wealth to consumers is a likely boon as it was estimated in 2009 that every 100-point increase in the Standard & Poor's 500 Index creates $1 billion in new philanthropic giving (Indiana University Center on Philanthropy & Giving USA Foundation, 2009). However, decreases in government spending, increases in income taxes, and relatively higher interest rates are all conditions that will make it increasingly difficult for the nonprofit to sufficiently diversify its funding sources.

Private, Public, and Quasi-Public Goods and Services

To review, economics is primarily concerned with how its three key principles—rationality, scarcity, and marginalism—are codependent between the three major constituents—business, consumers, and the government—within the overarching context of the fiscal and monetary policies that accompany a nation's macroeconomic environment as measured by GDP, unemployment, and the price level. Delving deeper into economic issues germane to the nonprofit, the analysis shifts to issues traditionally considered microeconomic. The commonly held definition of *microeconomic* is the study of a particular economic entity, such as an industry (also known as an assembly of similar producers competing for the same customers), a particular business, or an individual household (McConnell et al., 2009). Microeconomics analyzes and attempts to predict the ways that these smaller organisms behave within the larger context, taking into account its unique constraints, capabilities, and access to resources.

Within microeconomics, we look at more specific issues such as the types of products or services a company produces and how its properties determine the ways in which that company can be successful. It is important to define the two dimensions that further define the things we consume. The two dimensions relevant to all goods are rivalry and excludability. *Rivalry* is akin to competing for purchase. Since resources are scarce and output limited, there is a limited supply available for consumption. When a unit is purchased by one party, it reduces the likelihood that subsequent units will be available to be consumed by others. In essence, one person's consumption may preclude another's. This consequence of scarcity serves to limit the amount of potential societal well being that emanates from consumption as there is always a hard cap on the amount of goods and services that can be consumed and the benefits from them will always accrue only to a limited number.

The second dimension of all goods is *excludability*. Within a market system, as opposed to systems rooted in socialism, consumption is an option accessible only to those with both the willingness (or desire) and the ability (or money) to purchase. It is more than likely that a large proportion of consumers would like, or are willing, to be surrounded by luxury goods, such as big homes with expensive décor; however, a much smaller fraction of those willing have the monetary ability to acquire those comforts. The fact that price can be a barrier to purchasing is the excludability dimension of a product. Similar to rivalry, excludability limits the amount of happiness available in the system as the benefits of such consumption, whether conspicuous or otherwise, accrue to a limited portion of the population.

The combination of rivalry and excludability are the fundamental characteristics of the *private goods* within the market system. Examples of these abound and the range includes everything imaginable that can be bought from the dollar store to the grocery store to the department store and beyond. Goods and services for which the opposite is true are classified as *public goods*. For these goods and services, one person's consumption does not limit the prospect for another, thus eliminating rivalry; simultaneously, the pricing of these items are in essence free—or indirectly so—thus eliminating price as an excludable dimension. Examples of these would include things such as public sidewalks, a Fourth of July fireworks display, and a disaster alert system. Consumers pay for these indirectly through taxes; no one is asked to provide explicitly for his or her provision nor is anyone prevented from participating fully in her or his benefits.

The final classification of goods and services are those considered to be *quasi public* goods. These types of goods or services are those for which the producers could be either from government entities or from the private sector. This market is primarily occupied by service providers as most do not primarily engage in the construction of physical goods but are active in the provision of services such as public safety, child care, and education. Even those goods for which the government does play a significant role in production, such as roads and bridges, a portion of the labor may be provided by government employees but a high proportion will also be subcontracted to the private sector.

How Nonprofits Are Affected

While there is no specific provision that prevents nonprofit enterprises from producing goods or services in either the private, public, or quasi-public markets, a high percentage of these firms will be found operating in the quasi-public space. Table 60.2 shows examples of industries that occupy each space.

From above, it can be inferred that many more offerings exist in markets where providers could be for-profit, nonprofit, or governmental. The key takeaway for the undergraduate student is to recognize there are a multitude of career options available in nonprofit settings where the business models and challenges require the same skills and acumen as necessary in traditional for-profit settings.

There is one particular nuance associated with the provision of public goods that often affect nonprofit operations. When products and services are available at no cost—the lack of excludability—then consumers can reap the benefits of use without contributing any financial support for production. In many ways, this can be positive. For example, as it relates to the tourism trade, travelers to our country should expect to be protected by the law enforcement officials that American taxpayers support. In absence of this safety, our economy, specifically the travel and tourism sector, would suffer. In other ways, this can be

<table>
<tr><th></th><th>For Profits</th><th>Nonprofits</th><th>Government</th></tr>
<tr><td rowspan="2">Private goods & services</td><td>Electronics
Automobiles
Airplanes</td><td></td><td></td></tr>
<tr><td colspan="2">Entertainment
Media
Consumer products</td><td></td></tr>
<tr><td>Quasi-public goods & services</td><td colspan="3">Education
Medical care
Road construction
Counseling services
Child care
Legal counsel</td></tr>
<tr><td>Public goods</td><td></td><td></td><td>National defense
Sidewalks</td></tr>
</table>

Table 60.2 Examples of Firms in Public, Private, and Quasi-Public Markets

a negative, a scenario referred to as the free rider problem (Gerber & Wichardt, 2009). There has been much debate and discussion regarding this issue.

Demand

Thus far, we have covered rationality, scarcity, and marginalism; business consumers and the government; fiscal and monetary policies, GDP, unemployment, and the price level; and private, public, and quasi-public goods and services. But no textbook including economics would be complete without a discussion of supply and demand. *Ceteris paribus* (holding all else constant), the analysis will stay at the microeconomic level and use the example of a private, nonprofit enterprise competing in the market for elementary school students, a tuition-based private elementary school. Before proceeding, it is helpful to remember that this entity, while not interested in maximizing its total profit intake, is interested in satisficing. The initial focus will be on the revenue, or demand, side of this nonprofit school's business.

Demand is demonstrated as a quantified expression of a consumer's willingness and ability to purchase a good or service at a particular price. Let's assume for the time being that this school is the only private elementary school in a neighborhood. Assume also that there are free public schools as well in the market. If a poll was conducted of the citizenry that asked, How many children would you be willing to send to the private school if the tuition were as follows, then Table 60.3 shows the responses of the entire local population.

The most traditional presentation of demand, as expressed in Table 60.3, is the demand curve shown in Figure 60.2 in which the law of demand can be seen: As price falls, the quantity demanded for a good or service increases.

Price (annual tuition)	*Quantity Demanded (number of students)*
$10,000	0
$9,000	200
$8,000	400
$7,000	600
$6,000	800
$5,000	1,000
$4,000	1,200
$3,000	1,400

Table 60.3 Firm Demand for Private Elementary School

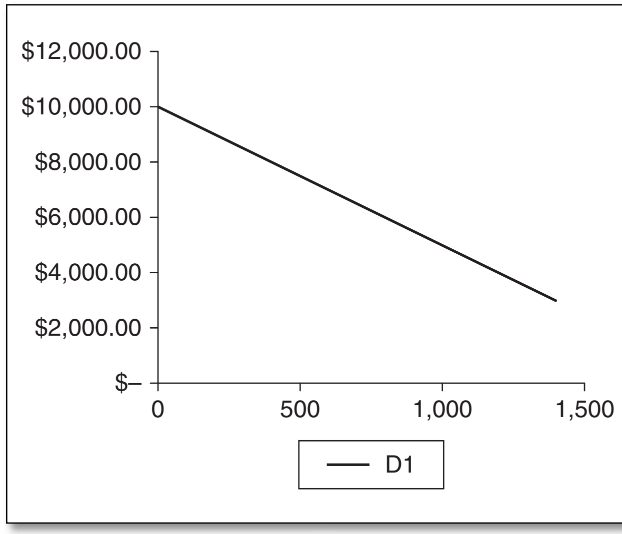

Figure 60.2 Firm Demand Curve for Private Elementary School

Determinants of Demand

Figure 60.2 shows the combination of quantities of goods and services demanded allowing price as the only variable, ceteris paribus. There are many other nonprice factors that can increase or decrease the overall demand. Changes in these conditions create a new set of quantities demanded for the same prices. Figure 60.3 depicts these possibilities.

The major reasons that these shifts could occur are as follows:

1. *Income.* When the income of consumers increases, they become more willing and able to spend money. Let's assume a household has an income earner who gets a pay raise. This household that traditionally sent its children to the public school might now enroll them in the private school. Thus, demand for a private elementary school would shift from D1 to D2. When income declines, the opposite would be true, and demand would shift from D1 to D3.

2. *Preferences.* When trends in consumer tastes change, demand will also change. Let's assume a report is released by an independent agency that infers that private school education will add 20 years to a life span, help a person lose weight, and make a person more money. Even with the same income, if consumers see new benefits in consumption, then their willingness to purchase increases, and demand shits from D1 to D2. If the report contained the opposite, the inverse would be true, and demand would shift from D1 to D3.

3. *Number of buyers.* If more people come to a marketplace, the likelihood of consumption, based on this increase in the volume of purchasers, will increase demand. Let's suppose new families move into the

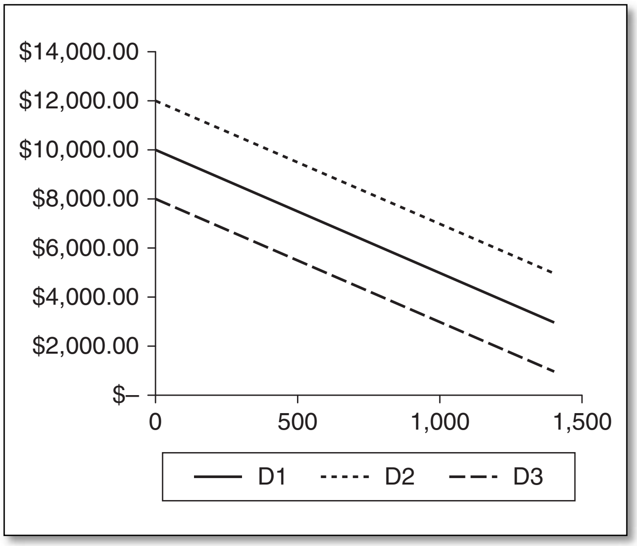

Figure 60.3 Demand Curves for Private Elementary School

school's neighborhood. Within this new population, there will be more consumers who rationally perceive happiness to come through a private education, and thus, demand will shift from D1 to D2. If there is a flight of the population from the community, again the opposite occurs, and demand would shift from D1 to D3.

4. *Prices of related goods and services.* Consumption decisions are not made in a vacuum. Consumption of one good often necessitates the consumption of another. All collegiate students understand when purchasing education that there are correlated expenditures. The undergraduate is intimately aware of the financial burdens of paying for the room, board, and textbooks that accompany university attendance. The levels of prices of these complementary goods can have a significant impact on consumer willingness and ability to buy that core product or service. Let's assume that the prices of textbooks dramatically increase for the family considering sending their child to private school. This increase in correlated costs leaves less household income to purchase tuition. This will have a negative effect on demand for elementary education and cause demand to shift from D1 to D3. If, on the other hand, a private elementary school bundles textbooks in with tuition, then this may have a positive impact on demand and shift the demand curve from D1 to D2.

There is another set of circumstances under which the prices of related goods and services applies, and that is for goods that are considered as substitutes to the core product. Substitutes are not competitors but rather products, which function to provide alternate paths to happiness. For now, let's move our example to preschool. Parents might have two major choices as it relates to their young child's daily activities. They may be concurrently in the market for a preschool in which they are comparing two schools (School A and School B) as well as evaluating a daycare facility that is noncurricular and purely social. School A and School B would be competitors to each other while the daycare facility would be a substitute.

With this substitute relationship in effect, the family leaning toward either School A or School B will find itself reevaluating its options based on pricing changes by the daycare facility. If the facility raises its rates, then the family is more likely to send their child to a preschool thus increasing the demand for preschool and shifting the demand curve from D1 to D2. Conversely, if the daycare center lowers its prices, then parents who were considering preschool are much more likely to switch to daycare, driving down demand from D1 to D3.

Supply

If demand is an expression of consumer willingness and ability to consume certain quantities of goods or services at a variety of prices, then supply is the correlated microeconomic analysis of supplier willingness to produce a certain quantity of goods and services across those ranges of prices. Ceteris paribus, the analysis will stay at the microeconomic level and use the example of a private nonprofit competing in the market for elementary school students. Reflecting back, it must be recalled that this enterprise is not necessarily interested in profit maximization but is indeed in being modestly profitable. The firm spends its energies thinking not only about revenues but also about the cost it can control as it purchases the inputs necessary to educate its students. In its budgeting and planning processes, the school considers two major types of expenses—variable and fixed costs. *Variable costs* are those whose levels are dependent on the quantity of output, while *fixed costs* are independent of the quantities produced. For example, variable costs for a school would include teacher salaries and fixed costs would include the building's rent.

Let's assume again for the time being that this school is the only private elementary school in a neighborhood. Assume also that there are free public goods, or public schools, as well in the market. If you were able to interview the management of the private school and ask, How many children would you be willing to educate if the tuition were as follows? then Table 60.4 shows the responses of the entire local population.

The most traditional presentation of supply, as expressed in Table 60.4, is the supply curve shown in Figure 60.4 in which the law of supply can be seen: As price rises, the quantity supplied of a good or service increases.

Price (annual tuition)	*Quantity Supplied (number of students)*
$10,000	1600
$9,000	1400
$8,000	1200
$7,000	1000
$6,000	800
$5,000	600
$4,000	400
$3,000	200

Table 60.4 Firm Supply for Private Elementary School

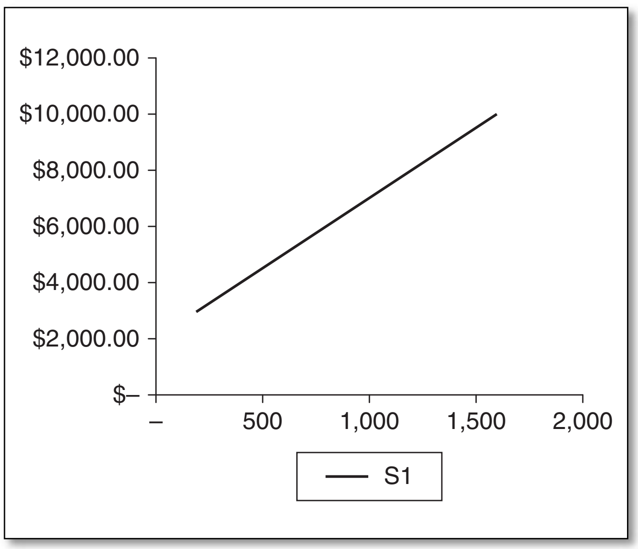

Figure 60.4 Firm Supply Curve for Private Elementary School

Determinants of Supply

As with demand, supply shows the combination of quantities of goods and services supplied allowing price as the only variable, ceteris paribus. There are many other nonprice factors that can increase or decrease the overall supply. Changes in these conditions create a new set of quantities supplied for the same prices. Figure 60.5 depicts these possibilities. The major reasons that these shifts in supply could occur are as follows:

1. *Resource prices.* Every firm, whether for-profit or nonprofit, begins with an analysis of its costs, especially those controllable, variable costs. The firm's output may be heavily reliant on the levels of the prices of the resources it purchases in production. For example, if the available pool

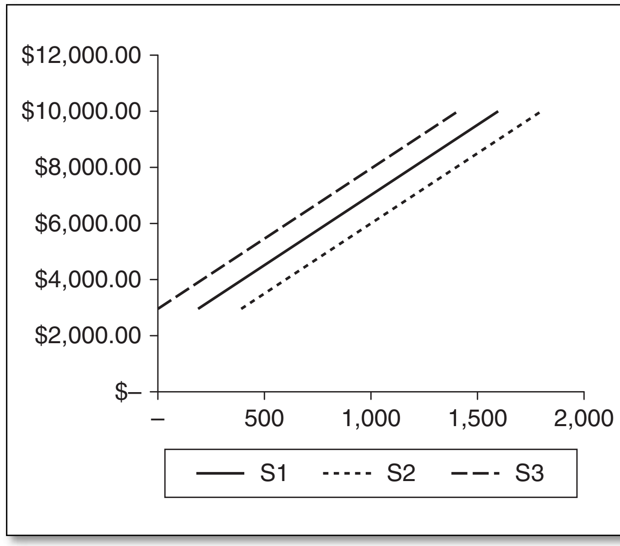

Figure 60.5 Supply Curves for Private Elementary School

of teachers available for hire is predominantly younger, less experienced, and less specialized, those teachers may command a lower wage rate in the market. The firm realizes it can hire more teachers without increasing its costs and can expand its student enrollment capacity thus moving supply from S1 to S2. If, on the other hand, these young teachers organize in a unionlike assembly and mandate a certain wage that is higher than the wage rate the school is willing to pay, then the school will respond by hiring fewer teachers and thus allowing fewer students to enroll. As a result, supply would shift from S1 to S3.

2. *Number of sellers.* Similar to the logic that applied to the number of buyers as related to demand, if more producers come to a marketplace, then the likelihood of consumption, based on this increase in the volume of producers, will increase supply. Let's suppose that other firms seeing a lack of competitors move into the neighborhood of the new school. Within this new population of producers, there will be more organizations who can educate children, and thus, supply will shift from S1 to S2. If these new firms eventually decide to close their doors and exit the community, the opposite occurs and supply would shift from S1 to S3.

3. *Taxes and subsidies.* In general, a consumer is only interested in the total acquisition cost of the good inclusive of any taxes required to be paid upon purchase. The consumer will be relatively indifferent to the allocation of a good's cost versus taxes, choosing to simplify and lump both costs together in considering whether to buy or not. As such, taxes serve to raise the total acquisition cost of an item. Let's assume that states chose to tax students who attend private elementary schools. This would have the effect of making private elementary schools more costly in aggregate. Businesses view these taxes analogous to costs in terms of the impacts they have on their customers. Thus,

just as when resource prices rise, so taxes have the effect of lowering supply and shifting the curve from S1 to S3. Conversely, if that tax is removed, then the supply curve would shift back to S1 from S2.

The issue of subsidies is one that can have a positive impact for both producers and consumers alike. A subsidy is a form of nonrevenue financial support, such as a government grant, or, more broadly classified, it could also appear in the form of a charitable donation. Incoming subsidies have the effect of lowering the overall costs of production and allowing the producer to bring a larger volume of products to market at a lower overall price. Thus, a subsidy would move the supply curve from S1 to S2, and the elimination or reduction of a subsidy would move the supply curve from S2 to S1. This issue is germane to nonprofit organizations and will be discussed further below.

Equilibrium

Keep in mind the true goal of economics—care for all people by being as efficient as possible with the scarce resources we have to work with (productively efficient) so that as much happiness as possible can be created for the greatest number (allocably efficient). If achieved, then the old adage of "waste not, want not" can be applied. Using the data from our private elementary school in Tables 60.3 and 60.4, this is visually represented in economics as the equilibrium point of supply and demand as pictured in Figure 60.6.

The equilibrium point would be at the intersection of the demand curve, D1, and the supply curve, S1. At the point where tuition is $6,000 per year, consumers interested in sending their children to private elementary school would be willing, in aggregate, to send 800 students, which is the same number of students the school would be willing to educate at that same price. Thus, no household is left wanting to send its children, and no seats in the classroom sit empty.

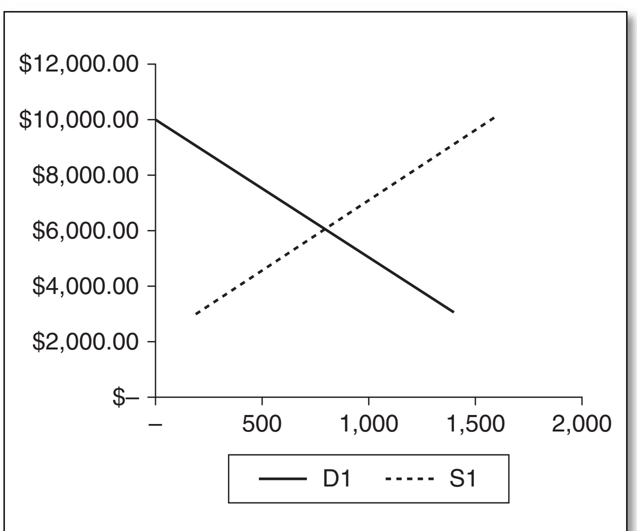

Figure 60.6 The Equilibrium Point of Supply and Demand

How Nonprofits Are Affected

When it comes to supply and demand, the laws of both reasonably apply universally to both the for-profit and nonprofit firm. For example, this has been witnessed as true in industries such as higher education where there has been an increase of for-profit players, such as the University of Phoenix, which have entered the space and profited by using a low-cost approach and stealing students away from more costly nonprofit schools (Ruch, 2001). The application of supply and demand is also seen in the market for public elementary education through the growth of the charter school market where both for-profit and nonprofit players have entered into a quasi-public space and been allowed to compete using government funding as a subsidy to its operations (Stoddard and Corcoran, 2007). In any case, the fundamental principles apply but many changes in the environment can have significant impacts to the nonprofit.

For example, the fact that nonprofits are not subject to corporate taxes has a positive influence on the numbers of sellers, which can increase the quantities of nonprofit services available and lower costs to consumers. Subsidies, as provided to firms such as biotechnology companies, can have the effect of lowering production costs and thus lowering the eventual costs of prescription medication to consumers. The undergraduate student needs to be aware of the universality of supply and demand and should pay particular attention to changes in the business environment, keeping an eye open to changes in policies that may influence consumer behavior or facilitate competitive advantages for the nonprofit producer.

Summary

Throughout the course of this chapter, the major goal has been to show how the basic principles of economics, and especially its origins in care, apply to nonprofit organizations. The key takeaways are as follows:

1. Everyone acts rationally. For people, this means self interested decision making with an eye on pursuing happiness. To a for profit business, this means to maximize profit. But for the nonprofit that also seeks profit, the question is, how much profit?
2. Resources are scarce and must be used wisely.
3. Decisions are made by all in a manner that expects more goods to be returned than is spent in its discovery.
4. Efficiency in the use of resources is tantamount to creating as much output as is feasible. With a greater quantity of

goods and services available, there is a greater chance to improve the overall well being of society as a whole.

5. Business, consumers, and the government are dependent on one another as each engages in the exchange of resources and money flows to achieve its relevant goals.
6. All people and businesses operate in a larger macroeconomic context where each must be aware of and agile in responding to changes in fiscal and monetary policies that are likely to be enacted in response to changes in prices, employment, and growth.
7. Goods and services can either be public, private, or quasi public and produced by for profits, nonprofits, the government, or, commonly, some combination of all three.
8. Demand is an expression of consumer willingness and ability to purchase a good or service at various prices. Supply is an expression of producer willingness and ability to produce a good or service at various prices. There are many nonprice factors.
9. The equilibrium of supply and demand is a most desirable outcome as it is a demonstration of the system's ability to be efficient, creating the most amount of happiness with the least amount of waste.
10. Undergraduate students need to appreciate the universality of economic principles so as to be sensitive to how changes in the environment may affect relevant parties in the system.

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61

When Things Go Wrong

Leadership and the Problem of Unintended Consequences

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This chapter will examine the phenomenon of unintended consequences and how nonprofit leaders might consider managing them. We will look at *unintended consequences* as defined by Robert K. Merton; *systems theory*, specifically complex adaptive systems; *complex responsive processes*, which provide insights about how new knowledge is created; *sensemaking*, which provides insights as to how we use perceptions to manage and make decisions; and the *learning organization* and the role of *strategic planning*. These areas of understanding collectively form both context and methodology that nonprofit leaders can consider when unintended consequences occur or in making efforts to avoid the occurrence.

Unintended Consequences

The "law of unintended consequences" (also known as unforeseen consequences) states that any purposeful action will be the source of some unintended consequences. When one reviews this topic, one cannot avoid reviewing the seminal work of Robert K. Merton, a foremost sociologist who wrote on this very subject during his time at Harvard University. In fact, the author and subject matter have had such an impact that Mongardini and Tabboni (1998) edited an entire textbook on the subject and its offshoots.

Merton's work strongly suggests that one go beyond "the ready solution provided by ascribing uncontemplated consequences of action to the inscrutable will of God or Providence or Fate" (1936, p. 894). These considerations of a "higher power" or destiny also imply that the inability to foresee consequences shouldn't automatically be associated with personal undesirability or that onlookers' views should be "axiologically negative" (p. 895). Further highlights presented by Merton deal with consequences being "those elements in the resulting situation which are exclusively the outcome of the action . . . which would not have occurred had the action not taken place" (p. 895). Merton further delineates these into consequences based on and dealing with individuals and consequences for others by way of social structures, culture components, and society.

A clear message regarding collective action is provided by Merton: Don't assume that it uncompromisingly entails purpose that is unambiguously explicit. Furthermore, "it must not be inferred that purposive action implies 'rationality' of human action (that a person always uses the objectively most adequate means for the attainment of their end)" and that "rationality and irrationality are not to be identified with the success and failure of action, respectively" (1936, p. 896). When Merton turns his attention to the "action" component of the subject matter, he differentiates between unorganized and formally organized action. Unorganized action "refers to actions of individuals considered distributively out of which may grow . . . [formally organized actions] when like-minded individuals form an association in order to achieve a common purpose" (p. 896). Furthermore, consequences that are unintended may be a result of either unorganized or organized action. Additionally, Merton warns of two pitfalls: the first being the difficulty of establishing the extent to which consequences may reasonably be ascribed to undeniable actions and the second involving the problem of determining the tangible rationale of a specified action. Additionally, this is further complicated with "discriminating between rationalization and truth in those cases where apparently unintended consequences are *post facto* declared to have been intended" (p. 897). Moreover, Merton indicates that a recurrent basis for error is removed if it is recognized that the involved features in unanticipated consequences are merely features and that none alone serves to explain any solid case.

Merton (1936) makes a very simple yet quite insightful and discerning statement regarding knowledge: "Lack of knowledge is the *sole* barrier to a correct anticipation" (p. 898). He goes on to categorize various factors related to unintended consequences: (1) knowledge, (2) error, (3) domineering interest, and (4) public predictions, which are explored below.

Knowledge

For knowledge, conjectural associations referenced in behavioral sciences are called on by stating, "the set of consequences of any repeated act is not constant but there is a range of consequences, *any one of which may follow the act in any given case*" and that it's "impossible to predict with certainty the results in any particular case" (Merton, 1936, p. 899). The results of this issue are that actions permit a varying array of unexpected results and that one may generally say consequences are surprising when a precise comprehension of many particulars is needed for even a forecast that is highly estimated. Merton does distinguish lack of knowledge from ignorance. The "ignorance factor" is augmented by life's demands that very often require us to act with assurance even though the information on which we base our action is incomplete. Frank Knight (as cited in Merton, 1936, p. 900) indicates that we usually act on "opinion and estimate" to which Merton adds, "Immediate action of some sort, will usually involve ignorance of certain aspects of the situation and will bring about unexpected results." Just a little over 70 years ago (and certainly applicable today), Merton stated, "In our present economic order, it is manifestly uneconomic behavior to concern ourselves with attempts to obtain knowledge for predicting outcomes of action to such an extent that we have practically no time or energy for other pursuits" (1936, p. 900). This issue of knowledge results in laying the groundwork for potentially unforeseen results and effects, or the lack of knowledge opens us up to potentially researching a subject matter, topic, or issue to such an inexhaustible end that it becomes never ending.

Error

Error (also referred to as mistake, blunder, inaccuracy, miscalculation), Merton explains,

> may intrude itself . . . in any phase of purposive action: we may err in our appraisal of the present situation, in our infer ence from this to the future objective situation, or our selec tion of a course of action, or finally in the execution of the action chosen. (1936, p. 901)

Merton indicates that a frequent erroneous belief often involves assuming that an action that has previously led to a desired result will continue to do so and that this conjecture is often fixed in habit and pragmatism. It is specifically these actions that have previously led to certain ends that become automatic through ongoing recurrence that fail to recognize that success is not certain at all times in all conditions and circumstances. Merton goes on to further delineate a range of errors: "simple neglect (lack of systematic thoroughness in examining the situation) to pathological obsession where there is a determined refusal or inability to consider certain elements of the problem" (1936, p. 901). Merton ends his discussion of this type of error by highlighting that emotions lead to situational alterations and events that unavoidably stir up unexpected consequences.

Domineering Interest

Domineering interest "excludes the consideration of further or other consequences of the same act" and the "immediacy of interest may range from physiological needs to basic cultural values" (Merton, 1936, pp. 901–902). Merton further explores conventional economics in which individuals employ resources for profitability to render societal returns and gains "by an invisible hand to promote an end which was not part of [the] intention (Adam Smith as cited in Merton), may serve as an example of economic interest leading to this sequence" (1936, p. 902). Merton further indicates that self-interested action is not adverse to a thorough examination of successful achievement and additionally states that satisfying interests demands impartial situational investigation. Merton further indicates that domineering interests tend to bring about failure to engage in necessary computations and generate an emotive predisposition that may result in failure in other areas of interest. Merton (p. 903) ends this issue by stating that "due to the fact that when a system of values enjoins certain *specific* actions, adherents are not concerned with the objective consequences of these actions but only with the subjective satisfaction of duty well performed."

Public Predictions

Public predictions are characteristically human and stand in the way of successful forecasting and preparation. Merton states that such "predictions of future social development are frequently not sustained precisely because the prediction has become a new element in the concrete situation thus tending to change the initial course of developments" (1936, pp. 903–904). Merton further indicates that this eventuality often explains social actions emerging in unanticipated tendencies and assumes considerable significance for communal planning.

Merton's Conclusion

This review entailed "one fundamental social process. It would take [the reader] too far afield . . . to examine exhaustively the implications of this analysis for social prediction, control and planning" (Merton, 1998, p. 296). The intent was to direct the reader's attention to go beyond merely consigning unanticipated consequences to the realms of theology and exploratory philosophy. A little over 60 years later, Merton (1998, p. 296) still asks the following questions: "How does the phenomenon of unintended and unanticipated consequences come about? How are we to think about its recurrence in every domain of society, culture, and civilization?"

Considering that Merton's work essentially describes human collective action, we might pursue some contemporary organizational theories to shed light on how nonprofit leaders might approach the phenomenon of unintended consequences. Next, we will examine systems theory to set the context; we will also examine the learning organization (Senge, 2006) in order to understand the role of learning and adaptation. Another closely related theory is complex responsive processes (Stacey, 2002), which theorizes how knowledge is created through the process of interaction and "sensemaking" (Weick, 2001), which provides insight on how our perceptions are formulated. All of these theories provide useful points of view that nonprofit leaders can use to effectively perform management functions in unstable environments.

Systems Theory

Systems theory is a transdisciplinary phenomenon. Systems exist in the natural sciences as well as in the social sciences. Edgar Schein (1980) defines a *system* as something that is composed of regularly interacting or interrelating groups of activities. It could be anything from a single organism to an organization to a society. Systems theory was derived in the field of biology in the 1920s. It was developed to explain the interrelatedness of organisms in an ecosystem (Bateson, 1979). In this era, scientists began to question the Newtonian mechanistic view of the world. Interrelatedness of organisms to their environment generated a more dynamic understanding about how the world actually works. If we consider humans in the same light, then we begin to recognize that there are dynamic forces at work that create great complexity as humans interact with their environment and form ways to organize into groups for collective, purposeful action. The concept of a system depends on a web of relationships, and organizations can be viewed as achieving their intended purpose through dynamic interactions with their environment. "The systems view of man links him again to the world he lives in, for he is seen as emerging in that world and reflecting its general character" (Laszlo, 1972, p. 79). Unintended consequences can be viewed as an outcome of this dynamic interaction.

Complex Adaptive Systems

Organizational theorists have come to understand that human organizations are complex adaptive systems and can be studied as such to understand organizational behavior, structure, and outcomes. Living organisms are complex adaptive systems. A complex adaptive system has been defined as complex in that it is diverse and made up of multiple interconnected elements and as adaptive in that it has the capacity to change and learn from experience (Holland, 1995). Organizational theorist Edgar Schein (1980) describes organizations as complex social systems that cannot be studied using reductionist methods but need to be studied as a whole. Peter Senge (2006) defines *systems thinking* as the primary driving force of organizational learning. His conceptual framework recognizes that all human endeavors are systems and are bound together by interrelated actions. Although a significant element of organizational management is related to limiting risk, systems thinking recognizes that, due to the complexity of our interrelatedness, complete limitation of risk is not possible. In this case, unintended consequences are normative. This fits with Merton's understanding that "it is manifestly uneconomic behavior to concern ourselves with attempts to obtain knowledge for predicting outcomes of action to such an extent that we have practically no time or energy for other pursuits" (1936, p. 900). The complexity of our organizational life does not allow for perfect prediction—only for thoughtful planning and developing an enhanced ability to learn, interacting effectively with our environment.

In relating complex adaptive systems to human organizations, Vogelsang (2002) includes the following concepts:

- *Agents evolve with schemata.* Agents act with each other creating and re creating schemata (assumptions, expectations, values, habits) that organize their relations at the local level. This is a continual process of evolving understanding.
- *Global patterns of relationship emerge.* As agents interact locally, they generate complexity and variety and create global patterns of interacting: rituals, structured relationships, communication systems, and operating values.
- *Coevolution occurs at the edge of chaos.* Complex adaptive systems operate at "boundary regions" near the edge of chaos where frozen components of order melt, and the agents in the system coevolve in order to survive and optimize themselves in a changing environment.

- *System evolution is based on recombination*. In every interaction, the agents enact historic patterns with slight or major variations. The agents recognize the patterns, experience the difference, and choose to reconstruct them or construct new patterns. The system generates novelty without abandoning the best elements of the past. The system is flexible and open to learning in order to evolve while maintaining consistency with its purpose, values, rituals, and relationships (schemata).
- *No one point of control exists.* For a complex adaptive system to survive, it must cultivate variety, but one cannot direct the variations. One can only influence the rules, relationships, and choices made in interactions while being influenced by others.

The dynamism of the environments within which we interact provides ample opportunity for unintended consequences to take place. This leads us to an attempt to try to understand how we might predict outcomes. The better we are at prediction, the better our ability to mitigate risk and provide stability. This ability to predict, however, might provide us with a false sense of stability and control. If we recognize that control can sometimes be elusive, we can then create organizations that are built as open systems. Morgan (1997, p. 45) describes organizational evolution in terms of an open system: "The more unpredictable the industry, the more open the management system should be in order to allow the level of self-organizing and open communications that is needed in order to innovate." We might conclude then that unpredictability is an entry point to innovation. We innovate to survive and grow. This places the phenomenon or unintended consequences in a different light. It might be considered an opportunity to learn and innovate.

Complex Responsive Processes

Another organizational theory that provides insight into the phenomenon of unintended consequences is one presented by Ralph Stacey (2002). Stacey's theory is based on the question, What if human interaction is analogous to the abstract interaction modeled by complex adaptive systems? Stacey asserts that knowledge is actually *created* through "complex responsive processes" where meaning is created in human interaction. Knowledge is not something that can be stored; it is created in the living present. If we consider that a primary task of management is to manage the creation of knowledge, this knowledge is thought of as residing inside of individual heads, in tacit form. This creates a situation where management's primary task is to retain employees and to use methods of encouragement, such as empowerment. Management is also charged with "extracting" knowledge from individuals and converting it into explicit knowledge that can be stored and manipulated thus creating value for the organization. If, however, we consider knowledge creation from the perspective of complex adaptive systems, management's role shifts from control to persuasion and facilitation of the interactions that create new knowledge.

Stacey proposes that we move on from systems thinking (Senge, 2006), toward an understanding that knowledge arises in complex responsive processes of relating, that knowledge itself is continuously reproduced and potentially transformed. He states that knowledge cannot be managed because knowledge is a participative self-organizing process. He describes *human agency* as the processes of interaction between humans that perpetually construct themselves as continuity and potential transformation. He describes causality in nature: Nature is unfolding already enfolded forms. This is described as *formative teleology*. Given this context, we will next examine key theories that can provide the context for leadership and unintended consequences, namely, learning organizations.

Learning Organizations

Senge's (2006) model of learning organizations is segmented into three levels: (1) practice (what you do), (2) principles (guiding ideas), and (3) insights and essences (the state of being of those with high levels of mastery in the discipline). These levels of understanding apply to all of the disciplines in his learning organizational model. He also identifies three distinct stages of learning:

1. *New cognitive capacities.* People see new things and can speak in a new language. This opening stage allows people to see more clearly their own and others' assumptions and the actions and consequences of both. At this early stage, they struggle to translate new cognitive and linguistic competencies into new actions. Behavior starts to change, but old assumptions, values, and rules are still in place.

2. *New action rules.* Old assumptions loosen in response to cognitive insights derived in stage one. People begin to experiment with action rules to see what they yield and may develop new language to produce new action. They are still unable to string together new rules when under stress.

3. *New values and assumptions.* People can string together rules that reflect new action values and operating assumptions. This stage provides adaptation to new rules and operating assumptions. At this stage, people can apply new rules under stress and ambiguity.

This sequence of change according to Senge begins with the *cognitive shift,* a coming to know something, where understanding and language development leads the developmental process allowing rules, behaviors, values, and assumptions to change. Strategic planning can be the place where this cognitive shift takes place. We will address the role of strategic planning later in this chapter.

Senge then develops five disciplines in the learning organization model:

1. *Personal mastery.* We continually clarify and deepen our personal vision, focus our energies, develop patience, and attempt to see reality objectively. He calls personal mastery the spiritual foundation of the learning organization. This foundational element seems to lay the groundwork for the other disciplines.
2. *Mental models.* Deeply ingrained assumptions, generalizations, and images influence how we understand the world and how we take action in it. Mental models are of particular importance in understanding how we might approach unintended consequences. We need to have a more explicit understanding of our own mental models to evaluate them and change them as we move into new circumstances, or realities. Cognition or new understanding will be the catalyst in our efforts to change our mental models.
3. *Building shared vision.* Unearthing shared pictures of the future assumes that we already have a vision of the future. The shared vision dimension helps to develop the relationships in which new knowledge is created based on emerging reality.
4. *Team learning.* This discipline provides synergy, where groups of people benefit from the idea that the total is greater than the sum of its parts. Members of a group enter into dialogue. The group can then enter into thinking together. A part of this is to arrive at an understanding of what patterns of interaction undermine learning.
5. *Systems thinking.* Such thinking recognizes that all human endeavors or organizations are systems bound by invisible fabrics of interrelated actions that often take years to fully play out their effects on one another. This is a conceptual framework to provide an understanding of how to make patterns clearer and to help us to see how to change them effectively.

Senge's model leads the reader to this fifth discipline as a key to leadership and organizational life in the 21st century. We can interact effectively with our environment only if we have an understanding of our organization's place and function within that environment and an understanding of the dynamic interaction of the people that comprise the organization as well as the people and organizations that comprise the environment within which interactions take place.

Sensemaking

Sensemaking provides a framework for understanding learning based on action and experience—in community. This theory provides an understanding about collective perceptions. Sensemaking involves placing stimuli into some kind of framework. It can be defined as a recurring cycle comprised of a sequence of events occurring over time. Individuals form unconscious and conscious anticipations and assumptions, which serve as predictions of future events. Subsequently, individuals experience events that may be discrepant from predictions. These events trigger a need for explanation and correspondingly for a process through which interpretations and discrepancies are developed. Sensemaking might then be considered as the way that unintended consequences are discovered.

Sensemaking has a lot to do with expectations. Whenever expectations are disconfirmed, some kind of ongoing activity is interrupted. Sensemaking is grounded in both individual and social activity. The process of sensemaking happens when human situations are progressively clarified, but this clarification often works in reverse. We make sense of events in retrospect. Sensemaking is less about discovery (implicit knowledge) than it is about invention (knowledge in action). Sensemaking highlights invention that precedes interpretation. It is a very active process as opposed to the inactive process of interpretation.

Sensemaking carries with it the notion that reality is an ongoing accomplishment that takes form when people make retrospective sense of the situations in which they find themselves and their creations.

The properties of sensemaking are

- *Grounded in identity.* Identities are constituted out of the process of interaction. The concept of self is created through interaction with others. Self concept is an agent of its own creation even though it is created through interaction and is based on human needs, such as

  self enhancement,

  self efficacy (desire to perceive oneself as competent and effective),

  self consistency (desire to sense and experience coherence and continuity).
- *Retrospective.* All perception is memory. We are aware of what we have done, never of doing it. Retrospective sensemaking is an activity with many different meanings that may need to be synthesized. Too many meanings (not too few) cause confusion, not ignorance. We remember meaningful lived experiences. Time itself exists in two forms: duration or the stream of experience and discrete segments.
- *Enactive of sensible environments.* Sensemaking is an active process of ongoing codetermination tied to relating rather than results. Weick (2001) gives us the example of newcomers to an organization to illustrate this property of sensemaking.

  > Newcomers are first flooded with surprises. Hermeneutics then help the newcomer gloss over sur prises and as routines develop and meaning becomes fixed by the organization's culture, facticity develops

> as things become taken for granted. Functional theories become more useful, interdependent activities of the newcomer and others have evolved, and along with them, the referents and accounts that are given when a moment in the process of evolving is frozen. People seem to need the idea that there is a world with pre given features or ready made information, because to give up this idea is to fall into idealism, nihilism or sub jectivism. Either there is an absolute ground or every thing falls apart. (Weick, 2001, p. 35)

- *Social.* An organization is a network of intersubjectively shared meanings that are sustained through the development and use of common language and everyday social interaction. Sensemaking is never solitary because what a person does internally is contingent on others. Social contact is mediated through discourse.
- *Ongoing.* There are no absolute starting points, no self evident, self contained certainties on which we can build because we always find ourselves in the midst of complex situations that we try to disentangle by making then revising provisional assumptions. Weick (2001) illustrates this by discussing the value of off site meetings that focus and crystallize meanings in organizations. They are focal points for different streams of ongoing activity. The concept of *interruption* is defined as a signal that important changes have occurred in the environment (interruption of the expectation and in the flow of events).
- *Focused on and by extracted cues.* Extracted cues are simple, familiar structures that are seeds from which people develop a larger sense of what may be occurring. These cues are context dependent or based on particularities related to who is speaking, the relevant aspects of the speaker's biography, current purposes and intent, setting, relationship between speaker and hearer, and so on. The social context is crucial for sensemaking because it binds people to actions that they then must justify. The context provides norms and expectations that constrain explanations. Any point of reference will do because it stimulates a cognitive structure that leads people to act with more intensity, which in turn creates a material order in place of a presumed order. Context, while a necessary aspect of sensemaking, is not content specific.
- *Driven by plausibility rather than accuracy.* The criterion of accuracy is secondary. Sensemaking is about embellishment and elaboration of a single point of reference or extracted cue, knowing just enough and no more.

The notions that Weick (2001) provides about how we make sense of the world follow some of the patterns that form the matrix of a learning organization. The learning process is essentially done in community (codetermined) in service of creating the future.

If we consider human organizations as complex adaptive systems that continually learn and evolve through the interaction of the agents that comprise those organizations, the questions become, How might we rethink the idea of unintended consequences? What are our assumptions and what methods might leaders employ to understand and manage this seemingly chaotic phenomenon? What is the real task of the learning organization? If our understanding of what knowledge is and how it is created is informed by these theories, what is the best approach to leading our organizations?

The next step in our inquiry is to understand the methodology that many nonprofit organizations use to vision, plan, and turn their vision into reality: strategic planning. Based on years of practical experience and the executive leadership of the authors, the following is offered for leaders of nonprofit organizations as a way of reducing the possibility of unintended consequences.

Strategic Planning

Strategic planning in its purest form is deceptively simple and is broken down into the following areas: (1) getting organized, (2) situational analysis, (3) setting direction, (4) refinement and plan adoption, and (5) implementation (Barry, 2001). Bryson (2004, p. xii) defines it as a "disciplined effort to produce fundamental decisions and actions that shape and guide what an organization . . . is, what it does, and why it does it." There are noted benefits (the "whats" and "whys") to strategic planning. One very important benefit is problem solving and refining results by maintaining focused momentum. Another significant benefit is committed communicative teamwork that influences circumstances to reduce, to the extent possible, unintended consequences.

Getting Organized

Barry (2001, p. 24) describes this step as "lay[ing] out a planning process that results in a good plan, builds commitment, and uses people's time well . . . [to not] result in wasted time, frustration, and low-quality." This process involves (1) noting why planning is necessary for a nonprofit organization and any concerns voiced by various stakeholders, (2) selecting a leader or steering group to maintain the organization's planning pathway, (3) determining if there is a need for external assistance, (4) outlining a fitting organizational planning process, and (5) getting key stakeholders' procedural commitment and dedication.

Situational Analysis

Barry (20011997, p. 36) describes this step as "tak[ing] a hard look at your organization and the world in which you operate, and then identify[ing] key issues or choices regarding your organization's future . . . [to] result in a clear, common understanding of your organization's situation as well as a clear definition of the strategic issues and choices the organization faces." This analysis involves (1) gathering indispensable background data and information for discussions of the nonprofit organization's position and circumstances, (2) having discussions on organizational history, recent progress, purpose and cause, strengths, weaknesses, opportunities, and challenges, and (3) getting concurrence on the most critical matters relating to the organization's potential.

Setting Direction

Barry (2001, p. 52) describes this step as "sort[ing] through [identified] issues, reach[ing] general agreement on the best direction for your organization, and develop[ing] a . . . strategic plan . . . [that] describe[s] what your organization intends to accomplish over the next few years, as well as how you will begin to accomplish those goals." This planning can use the following four approaches:

- *Critical issues.* Use logical ordering with the most essential issues being discussed first followed by the subsequent issues until all issues are addressed.
- *Scenario.* Develop various alternative futures of the nonprofit organization's appearance followed by paramount scenario selection, and determine the transition to the preferred future.
- *Goals.* Set several major targets or guidelines by having organizational departments or divisions plan for the achievement or contribution to the goals.
- *Alignment.* Or get organizational parts to work in sync for mission accomplishment by determining the alignment of its purpose, its programs, and its resources.

Refinement and Adoption

Barry (1997, p. 70) describes this step as "solicit[ing] comments [from groups or people to] make needed improvements in your plan . . . [to] fine-tune . . .[it] into a plan that is right on the mark." It is highly recommended that stakeholder groups or people be given adequate time for review and frank comments that involve (1) plan overview, (2) general reaction to the plan, (3) what is liked about, problematic with, flaccid about, or omitted from the plan, (4) unambiguous thoughts for plan improvement, and (5) where perils are in the plan.

Implementation

Barry (1997, p. 72) describes this step as "implement[ing] the plans developed in Steps 1–4, monitor progress, make midcourse corrections, and periodically update the plan." This component involves delegation of responsibilities and establishing of timelines for the execution of each major plan goal, strategy, or task. Six guidelines are offered for proper implementation: (1) Practice good work in steps 1 through 4 to greatly help with plan implementation, (2) render strategic plan into annual work plans and budgets, (3) be attentive on the large goal, (4) pay attention to variations and alterations, (5) keep stakeholders and associates apprised of the plan, and (6) monitor the plan's progress. This implementation phase ends with what Bryson (2005, p. 191) calls a "prelude to a new round of strategic planning."

Relationship Between Strategic Planning and Unintended Consequences

How does this five-step strategic planning process relate to unintended consequences? Recall Merton's statement regarding knowledge: "Lack of knowledge is the *sole* barrier to a correct anticipation" (1936, p. 898). In its simplest form, strategic planning deals with (1) laying the groundwork for potentially unforeseen results to bring about knowledge, (2) the reduction of error and mistakes, (3) benefiting organizational and societal interests, and (4) predictions for social development and planning. These relationships are further embedded in considerations made by McLaughlin (2006): (1) Rethink fundamental assumptions about need, (2) conduct future scans for the purposes of institutional learning and presentation of opportunities, and (3) accept the need for survival and the larger context in which nonprofit organizations operate. McLaughlin (2006, p. 61) indicates that the "solution is to break the chore down into manageable parts, . . . business conditions that exist outside of the organization's day-to-day control." All in all, unintended consequences should be viewed as normative and given consideration for their existence in the ongoing operations of nonprofit organizations.

Strategic planning is in essence a method that can be used to facilitate knowledge creation and develop learning capacities. The method provides the opportunity for communal reflection on the history and meaning of the organization. It provides a way for people to enter into conversations that go beyond day-to-day, task-focused conversations. It allows for reflection on the meaning of those tasks enabling movement from task to vision.

The strategic planning process is where we can explore our evolving understanding of the organization, including creation of contingencies that might address unintended consequences. We do this in relational, complex responsive processes as developed by Stacey (2002). The chaotic nature of rapidly changing environments within which we operate can be recognized and plans created even if we don't have perfect knowledge of the consequences of our actions. We don't know what the unintended consequences might be, but we do know that they exist and that our best approach is to actively and intentionally create a learning organization poised to deal with them as they emerge. We recognize the organization as a complex adaptive system that is open to its environment and where new knowledge is continually being created. Strategic planning methodology is therefore not simply a way to vision the future and create action steps to achieve; it is a way to create awareness of the complex factors that currently exist and open the way for communal learning and development. Given the increasing complexity of nonprofit organizations, the learning organization, recognizing itself as a complex adaptive system, places priority and great urgency on obtaining a broad knowledge of the system (environment) and effectively responding to emerging phenomena.

It is unfortunate that many organizations undertake a strategic plan with the idea that it is an obligation or expectation of funders, board members, and other constituents, but they do not leverage the learning opportunities that lie at its heart. Strategic planning is not where we discover the way forward, it is the way that we create the future—through recognition of learning as a primary value and with the understanding that knowledge is not a commodity but a dynamic reality. Unintended consequences, by definition, might not be recognized during this process, but by fostering learning, the organization is better adapted to recognize them and respond effectively.

Although the strategic planning model seems linear, it allows for and is actually designed to accommodate the reality of idea emergence. Senge's work provides context for organizational learning. Developing an understanding of ambiguity, complexity, and chaos can help to provide context for people who enter into strategic planning and allow us to work within a framework that permits all these realities to be a part of the fabric of the effort. Developing an understanding of how we learn and how we make sense of our environment and each other can help us through the disorderly aspects of group process and emergent knowledge creation. The theories provide a context for our work. Recognition of chaotic conditions, uncertainty, and ambiguity, as well as an understanding of human intelligence, does not directly answer the questions at hand, but together they provide a different set of lenses that we can look through when seeking our future. All of these conditions also provide us with the idea that unintended consequences are always a part of our landscape. We cannot escape them in a world of great complexity. All we can do is develop our collective capacity to learn and adapt. This calls for nonprofit leaders to foster a climate of trust and openness where learning and innovation are emphasized and rewarded.

Summary and Future Directions

Management research has questioned the validity of strategic planning and found that the presumed linear progression from analysis to objectives to action and results is more fanciful than factual (Bolman & Deal, 1997). While this does not speak well for the validity of strategic (or any other) planning, the authors go on to speak about the symbolic and human interaction importance of planning. Plans themselves provide means for the interaction that creates consensus or shared vision and symbolize the organization's efforts toward creating a sustainable future. Although there might not be the linear progression that seems to be an inherent expectation in planning, the process creates an explicit set of assumptions and agreements which in and of themselves provide milestones for tracking progress. Without long-term plans, most organizations are rudderless and simply reacting to environmental changes without a set of comparative markers. Healthy organizations should be constantly challenging their operating norms and assumptions (Morgan, 1997), and it is those norms and assumptions that are reviewed in a strategic plan. The organization becomes one that has a learning orientation. When a strategic plan is developed, it represents the consensus of the organization's stakeholders, and organizational structures and activities are redirected toward the new strategies. The plan itself presents to all who are involved a symbol of what the organization values. With this directional approach, nonprofit leaders are providing the best possible approach to managing the unknown.

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LEADING COLLABORATION

Creating Strategic Alliances and Restructuring via Mergers, Acquisitions, and Integration

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Nonprofit leaders often lament that resources have become scarcer in recent years, making it harder to keep their organizations financially stable. At the same time, organizational leaders as well as funders such as federated appeals and charitable foundations have become increasingly concerned with the effectiveness of the services provided by the sector from direct human services to health to the arts. Is there a great deal of redundancy in what programs are offered? Are programs ineffective because they exist in a vacuum and fail to work in tandem with other related services in the community? These and other related concerns regarding the effectiveness and the efficiency of services have driven a growth in interest in strategic collaborations in the nonprofit sector. Collaborations can take many different forms: short-term partnerships between nonprofits and businesses, long-term resource sharing between agencies to lower fixed costs, or even organizational mergers or acquisitions. Strategic collaborations can make nonprofits more efficient. They can also help them serve their target populations better. Collaborations can thus be a powerful strategic tool for leaders of the sector.

It is important to be clear, however, that collaboration is not a silver bullet. In some cases, collaborative initiatives can provide no benefit at all and at worst may actually distract organizations from their missions. Partnering organizations may clash due to conflicting interests or cultures. In other cases, organizations have incentives to engage in collaboration in name only.

This chapter offers an introduction to collaboration within the nonprofit sector. It begins by discussing the context. Why are so many nonprofits interested in building collaborations? The chapter continues by discussing the two key strategic rationales for pursuing collaborative partnerships: to improve organizational efficiency or to improve the effectiveness of programs. From there, it continues by discussing the many different types of collaborations and the challenges that nonprofit leaders face in building successful partnerships. Throughout the chapter, real examples of nonprofit collaborations are highlighted. Many of these examples come from Michigan, where the authors have been conducting a study on this topic. In the end, this chapter concludes that collaboration can be an important tool for lowering an organization's fixed costs or improving its effectiveness. However, making collaborations successful can be difficult, and so such initiatives should be entered into with the strategic goals clearly articulated and with knowledge of the many roadblocks that can get in the way.

The Context: Shrinking Resources or a Growing Sector?

Are we truly in the midst of a period of shrinking resources in the nonprofit sector? If we examine just the economic crisis of 2008 and 2009, this may be the case. However, if we consider the past two decades, the answer is an unequivocal no. In fact, all the evidence suggests that the sector has grown at an unprecedented rate over the past 15 years. Among those nonprofit groups that must report to the Internal Revenue

Service (those with gross receipts of $25,000 or more—sometimes called *public charities*), between 1995 and 2005 inflation-adjusted total revenue exploded from $653 billion to $1.1 trillion, more than a 50% increase. This growth was stronger in some subsectors than others but was spread widely. Human services organizations saw their total inflation-adjusted revenue jump from $92 to $132 billion while funding for the arts, culture, and humanities grew from $12.6 to $21 billion during the same period. (Most nonprofit monetary estimates are taken from *The Nonprofit Almanac 2008* by Wing, Pollak, & Blackwood, 2008.)

Most funding sources grew during this time. Private charitable contributions grew particularly fast, as Americans became significantly more generous, giving a greater proportion of national income and more per capita to charity than ever before. Assets in the sector grew similarly so that by 2005 public charities in the United States controlled roughly $2 trillion in assets. Far from shrinking or even holding steady, the nonprofit sector has grown at an unprecedented rate over the past 2 decades, greatly increasing its place in the national economy and society as a whole.

Still, many nonprofit leaders have legitimate reasons to believe that resources are scarcer now than in the past. Their concerns may be driven by the economic crisis of 2008 and 2009 during which all indications are that nonprofits—at least in direct health or human service provision—have experienced a serious growth in demand for services, while very likely seeing a decline in resources most likely driven by declines in state government funding. However, many sector leaders began voicing feelings of scarcity long before the 2008 to 2009 economic crisis. Thus, it is unlikely that the economic crisis is singularly driving these perceptions, and other factors must be considered. One such factor is that this growth in resources available to nonprofits has led to equal growth in expenses. Perhaps most importantly, the nonprofit workforce grew from 11.1 million in 1998 to 13 million in 2005, outpacing the rest of the U.S. workforce during that period. Total nonprofit wages grew to $470 million in 2005, making up roughly 8% of total national wages. Just as total revenue has grown, so have expenses, leading nonprofit leaders to feel as though resources have largely been stagnant over the past 2 decades. Still another cause for feelings of scarcity is the funding structure faced by most nonprofits, which must raise resources from an uncertain pool of private donations, foundation grants, and state and federal contracts. Any change in one of these funding environments can affect an organization's budget, leading to a great deal of uncertainty.

While these factors are most likely drivers of funding anxiety, the most important cause may be the growth in the number of organizations competing for funding in recent decades. While revenues available to nonprofits exploded in the late 1990s, so did the number of organizations. Just among public charities, the number of these organizations grew by more than 66% from 187,000 in 1995 to 311,000 in 2005. When total resources are divided among the total number of organizations, it is clear that there has been virtually no growth in total revenue per organization during this period! And this does not count growth in religious congregations, which also compete for private charitable dollars.

What has spurred the remarkable growth in nonprofit organizations since the early 1990s? It is likely that this growth is a direct result of the growing revenue streams available to nonprofits. As standard economic theory suggests is the case with any competitive market, as demand grows, so will supply. As American society has demanded more opportunities to spend their income in the nonprofit sector—either through charitable contributions or through fees for service, more providers have entered the market in an attempt to capture those dollars.

Is this growth in the number of agencies good for the sector? Indeed, the nonprofit sector was founded in part on a value of pluralism and freedom. Nonprofits can address the needs of minority stakeholders in ways that governments often cannot. Thus, Americans count on a "vibrant nonprofit sector as a guarantor of their liberties and a mechanism to ensure a degree of pluralism" (Salamon, 1999, p.14). Unfortunately, a by-product of this pluralism is that nonprofits often continue to exist, even when they do not effectively address the needs that spurred their creation. Thus, a possible cost to the value of pluralism within the sector is the well-being of those whom the sector serves. As Bradley, Jensen, and Silverman (2003) write of the nonprofit sector, "small outfits can't possibly achieve scale efficiencies. If organizations with similar missions merged or shared assets, they'd reduce their costs significantly, which would free up more funds for creating social benefits" (pp. 100–101). Thus, has been born the main rationales for strategic collaboration.

Strategic Reasons for Collaboration: Improving Effectiveness, Maximizing Efficiency

A joint undertaking such as collaboration carries with it rewards as well as risks and should be entered into with great deliberation by all involved parties. At the outset, those involved should always engage in negotiations that will clearly establish the strategic aims of the shared venture and the responsibilities of all involved. Otherwise, organizational partnerships often collapse under the weight of poor planning and unclear expectations.

These negotiations should seek to clearly establish each party's value proposition for pursuing the joint venture. That is to say, what is in it for them. Clearly identifying these value propositions allows for each party to determine the perspective costs and benefits of the partnership and can give insight into the probability of success or failure of the venture. Once each organization has effectively communicated their value proposition, all parties must collectively weigh the pros and cons of the partnership. While the reasons for pursuing collaboration are many, Austin

(2004) contends that they can be categorized into two strategic aims: effectiveness gains and efficiency gains.

Effectiveness Gains

Effectiveness gains refer to improvements in an organization's ability to serve its target population either through improved or expanded services. Becoming more effective in delivering programs or services to an organization's target population is a main strategic reason to engage in collaboration. A collaboration with another nonprofit, for-profit, or government agency might enable an agency to access resources it otherwise could not. Often these are monetary resources, but they may also include the specialized skills of other organizations, access to potential customers, or access to information. Another effectiveness gain comes in the form of nonprofits pairing complementary services that are more effective in concert than they would be separately. For example, in Flint, Michigan, a coalition of area agencies combating homelessness through a wide range of services from prevention programs to shelters have paired up in a *continuum of care* through which they hope clients may be better served because of greater communication and synergy of services. Other types of effectiveness gains can come in the form of eliminating redundant services from a service system that allows for the reallocation of resources in the form of funds, space, and personnel to other initiatives, in effect, bolstering the overall effectiveness of the nonprofit.

When seeking to identify collaborations that may improve effectiveness, organizations should ask how their services could be improved through partnership with other entities. How will the organization's target population be made better off through a proposed joint initiative? How will a proposed partnership further the organization's efforts in pursuit of its mission?

Efficiency Gains

Efficiency gains may result from collaborations as well. Efficiency gains revolve mostly around cost savings that can be realized through partnerships. Organizations may choose to share some of the fixed costs of operations, such as administrative services, sharing space or major resources, or even the sharing of key personnel. When seeking such efficiency gains through partnership, the key question that each party must ask is how tasks currently being done could be done at lower cost through partnership with other entities. This often results in the more efficient use of existing resources. Nonprofit organizations often underutilize key resources. How often does the large community room go empty? Could one copier or printer easily serve the needs of two offices rather than one? How many days a week is the agency's bus sitting in the parking lot? Identifying untapped potential of existing resources is the key to success.

Joint investment in a new resource (such as a gymnasium, exhibit space, or magnetic resonance imaging [MRI] machine)—and the resulting diffusion of risk—can be an attractive form of the efficiency gains that accrue from these types of partnerships. Nonprofit managers often face difficult choices when making decisions about significant organizational investments. Will the capital investment be successful or will the money be lost? Will the nonprofit be able to derive maximum value from the use of the equipment in relation to the capital outlay, or will the piece of equipment go underutilized? Partnerships allow all parties involved in a venture to share these risks, minimizing the detrimental effect of a failed investment to any one agency.

Efficiency: A Means to Improve Effectiveness

While the two main strategic goals of nonprofit collaboration can be defined as efficiency gains or effectiveness gains, in truth, the final goal of any such initiative comes down to effectiveness gains. Efficiency gains are useful only to the degree that they can lead to increased effectiveness. Reducing the fixed costs of administrative services means that more resources can be reallocated to other programs. Every dollar saved by sharing accounting services by the local YMCA can be reallocated to mentoring or recreation programs for youth. Jointly purchasing a major piece of equipment means that cost savings can go toward serving the agency's target population. Sometimes organizations get caught up in efforts to become more efficient for efficiency's sake. However, any change done in the name of increased efficiency should translate into direct improvements in the service delivery for the target population. Otherwise, they have offered no strategic benefit whatsoever. If your organization is looking to undertake some efficiency improvements, a key question is, what will happen to the cost savings? How will they benefit your target population and further your mission? If they do not further the organization's mission, then they have no strategic value at all.

Exploring Different Types of Collaboration

Collaborations take numerous forms, pairing nonprofits with other nonprofits, with for-profit businesses, or with government agencies. They may be short-term or long-term initiatives. They may seek to lower the costs and maximize the use of organizational resources, or they may focus on leveraging the resources of partnering organizations to better serve a common target population. This section details some of the different forms such ventures can take, offering real-life examples.

Collaborations Between Two or More Nonprofit Agencies

As discussed previously, organizations often seek to improve the efficiency or the effectiveness of their programs by partnering with other nonprofit agencies. They might seek to reduce overhead by sharing administrative costs thus freeing up more resources to be spent on programs. If multiple organizations in the same community have complementary or even substitutable missions and work with the same target population, there may be a potential benefit for them to work together. Reorganizing services so that there is less duplication can free up resources for other programs. It is also possible that through working together, nonprofits can be more effective than they can be apart. Depending on the specific strategic goal of the initiative, interorganizational partnerships in the nonprofit sector may take the form of partnering in service delivery in the short-term or long-term, in sharing of resources, or in organizational mergers or acquisitions.

Long-Term Partnering in Service Delivery

An important type of collaboration between nonprofit organizations involves the pairing of services either for a short-term project or for long-term initiatives. Such partnerships can often expand the reach of all those involved. For example, an agency that provides tutoring services to at-risk youth might want to collaborate with an agency that provides preventative health exams for the same population. By pairing the two services within the same after-school program, both agencies may reach a broader population than they could apart. In this example, the programs offered by the two agencies are complementary: They build on each other instead of competing.

In an alternative scenario, two tutoring programs in the same community might realize they are providing essentially the same type of service. In the absence of collaboration, these programs might be considered substitutes and would likely compete for the same funding or even the same students. Through interorganizational negotiations, however, they might agree to a specialization of services that benefits themselves and their clients. *Agency A* might agree to focus their tutoring on reading skills while *Agency B* focuses on math skills. Or *Agency A* might target their programs to junior high students while *Agency B* focuses on high school–age youth. Through partnership, it is possible that both organizations can expand their reach through specialization and in doing so better meet the needs of their target population.

Sharing of Space or Resources

A very practical type of collaboration occurs when two or more nonprofit organizations agree to share space or resources. Two nonprofits can often cut costs by pooling resources. Often, organizations must purchase key resources but do not use them to full capacity. If organizations purchase them cooperatively, they can share the costs and better use the resources to their full capacity. Austin (2004) offers the example of two hospitals in the same community jointly purchasing an MRI machine. By partnering in this purchase, they can share the tremendous fixed cost (purchase price of roughly $2 million) while taking better advantage of the low marginal cost of each use of the machine. In another example, more than 40 arts organizations in southeast Michigan created an online *sharing resource clearinghouse*, in which agencies can trade specialized services with one another. Through this system, nonprofits are able to trade access to resources such as the graphic design expertise of one organization or the bus-and-driver housed in another. Pooling these resources has enabled participants to reduce these costs while also using their existing assets more fully.

Sharing space often means renting, purchasing, or building one space for use by multiple organizations. In the case of Temple Beth Emeth, a Jewish Reform synagogue, and St. Clare's Episcopal Church in Ann Arbor, Michigan, two independent religious congregations have co-owned the same worship space since 1976, making it one of the first such collaborations between two faith communities from different religions. While the effort began as a way to cut the fixed costs of both congregations, the partnership has become its own statement of sorts by the two bodies. Another example of this is the *one stop shop* model of social service delivery. In recent years, social service providers have borrowed from retailers who are cohoused in shopping malls by building a space where numerous human service providers can colocate. Beyond the obvious efficiency advantages of jointly owned space, this may also expand the reach of participating organizations and help with interorganizational streamlining of programs.

In all of these cases, partnering agencies need to clearly define the expectations for all involved parties. The primary purpose of these types of ventures should always be improved efficiency—meaning that the partnership lowers the participants' costs and allows them to reallocate resources elsewhere. Unfortunately, in some cases, these types of collaborations do not succeed in this goal. This will be discussed in more detail below in the challenges section.

Organizational Mergers

Finally, when multiple organizations provide the same type of services or provide complementary services, a merger may be in the strategic interests of both. The goal of such a merger would be to combine resources, pool funding, and/or increase the organizations' ability to achieve their collective mission. Recent research suggests that mergers and acquisitions are becoming more common, especially as agencies seek out ways to reduce their costs (Jacobs, 2008). Although the process of merging organizations is complicated and delicate, many believe that this is a promising way to increase the effectiveness of the nonprofit sector (Bradley et al., 2003). This argument holds that having multiple organizations with similar missions in the same geographical area lowers the ability of each agency to be effective and wastes resources, hurting the agencies' shared target population.

In one example of a successful organizational merger, the Rare Foundation and Winning Futures determined that their missions were very similar (to inspire youth through connections with successful adults) and they had overlapping programs. Thus, in an effort to cut fixed agency costs and free up more resources for services, the two merged, creating one organization that could better pursue its mission. In New Orleans, Louisiana, a movement is underway to encourage collaboration between nonprofits. Part of this movement included the merger between the Center for Nonprofit Resources and the Greater New Orleans Community Data Center, to create The Greater New Orleans Nonprofit Knowledge Works. Previously, these organizations were providing similar services and competing for funding sources. Now they have merged and are better able to assist in the capacity building of the nonprofit sector in their community.

When considering a merger or acquisition, all involved parties must consider the legal implications. Mergers are much more complicated than other forms of collaboration. For example, mergers typically require the formal approval of the board. In such a case, the collaboration should be discussed at several meetings before a vote of the board is taken (Jacobs, 2008). Mergers may also require a vote of the members of the organization (Jacobs, 2008). In this case, it would also be important to inform the members of the possibility of the merger to give them time to consider their votes. Finally, and most importantly, mergers or acquisitions may have financial implications. Can the merged entities access the endowment of one of the original organizations? Will an important funder approve a grant that was awarded to one or the other following a merger? How does the merger affect the new entities' tax status? These are all key issues that must be addressed.

Partnerships Between Nonprofit and For-Profit Firms

It is also becoming increasingly popular for nonprofit agencies to collaborate with for-profit enterprises. Indeed, in their seminal book *Forces for Good* (2008), Crutchfield and Grant suggest that collaboration with the for-profit sector is a key practice of successful nonprofits. Such relationships seek to be mutually beneficial. Some of the benefits can be similar to collaborations between nonprofit organizations. For example, collaborations might involve cost-cutting measures or information sharing, as discussed above. However, more often, businesses and nonprofits collaborate for different reasons. Such relationships can be based on fundraising goals or collaboration on an area of shared interest for both entities.

Fundraising Relationship

Often, for-profit firms seek to partner with nonprofits in efforts to give back to the community or donate to a specific cause. While for-profits often have altruistic motives for this type of collaboration, they also have a powerful incentive to publicly appear responsive to community needs. It is critical to remember that such partnerships allow for-profit entities to benefit from a nonprofit's brand, enhancing their credibility. Thus, nonprofit leaders should be aware that the relationship is not one-sided in these partnerships. Indeed, nonprofits should be careful to partner with for-profit organizations that are worthy of their "seal of approval" because a nonprofit's "brand" is its greatest asset. It should avoid partnering with entities that will detract from that brand. For example, an environmental justice organization should avoid partnering with a known polluter, unless it is on a venture to reduce that firm's pollution (discussed later on).

The most common type of venture-involved partnerships is fundraising efforts. This might be as simple as a firm asking employees to donate to the nonprofit organization via payroll deduction. In other cases, this might involve more complex collaborations involving major fundraising events, corporate matching of donations, or long-term ongoing donations of money or materials. Austin (2004) highlights a new type of partnership in which nonprofits purchase corporate endorsements of their websites, allowing a firm to place its logo on the nonprofit's website. This can be a very lucrative arrangement with almost no costs, as long as the for-profit firm does not detract from the nonprofit's brand.

Often agencies are brought together by interest in a common issue, such as a for-profit art supply company and a nonprofit that promotes art programs at inner-city schools. The arts supply company has an altruistic motive for this partnership—promoting the arts—and a business motive—increasing its consumer base. Other times, the owner or CEO of a business may have an interest in a particular social issue. This was the case when a former CEO of the clothing manufacturer American Eagle Outfitters decided to partner with Jumpstart, a program that helped prepare low-income youth for preschool and early education, among other things. The CEO was drawn to this issue because as a young immigrant child, he had trouble reading and wanted to give other children a better chance (Austin, 2000). Nonprofit managers, for their part, can foster these types of relationships so that one-time donations can turn into long-term relationships. They should seek out for-profit firms that may have similar interests.

Partnership on a Project

In some cases, nonprofits and for-profit firms may have very different strategic interests for jointly pursuing a project. Crutchfield and Grant (2008) highlight the example of the nonprofit Environmental Defense, which partnered with McDonald's to help the fast-food chain reduce its food packaging and make it more environmentally friendly. This eventually led to a reduction in packaging waste of 150,000 tons within 10 years. While Environmental Defense's primary objective was to reduce product waste, McDonald's primary objective was to reduce food costs. Different incentives can lead to the same goal.

Collaborations between nonprofits and for-profits can also be designed to allow one or both parties to benefit from the knowledge and skills of the other. Many agencies are finding ways to collaborate that are mutually beneficial. This can involve collaborating on projects that benefit the community or sharing information in ways that help both agencies meet their goals. Austin (2004) highlights the example of Starbucks Coffee Company's work with Cooperative for American Relief Everywhere (CARE). Through this partnership, Starbucks was able to learn ways to start community projects in some of the coffee-growing communities that the company wished to assist. In turn, Starbucks promoted CARE in its stores and sold special bags of coffee to benefit CARE. Both agencies benefited from the expertise of the other.

Nonprofits and Government Relationships

There is a great deal of collaboration between government agencies and nonprofits. Nonprofit agencies can partner with local, state, or federal government agencies. There are different types of nonprofit-government collaborations, such as programs funded by competitive government contracts, government grant-funded programs, or nonprofit agencies that are funded, at least in part, by government agencies, such as public universities. Most often, though, these types of partnerships usually take the form of government grants and programs in which nonprofit agencies deliver services specified and paid for through government. Such partnerships are a key source of funding, especially in the human services, where government funding makes up over a third of organizational revenue.

In comparison to the types of collaborations detailed in the previous section, these types of relationships should not be characterized as partnerships between equals. Indeed, almost always, they are contractual relationships for services. While they can be critical in expanding the ability of nonprofits to serve their target population, they can also put limits on the activities of agencies, as government sets the parameters of service delivery. Thus, nonprofits should think strategically about the consequences of these types of arrangements. While such relationships have the ability to expand the scope of services offered by an organization, they can also create barriers for the organization by limiting whom they can serve and how they can serve them. For example, as executive director of the Community Self-Determination Institute in Watts, California, Aqeela Sherrills made the decision that the million-plus dollars in government funding his agency was receiving was detracting from the organization's mission to spread peace in urban war zones. Thus, the organization greatly reduced its funding but returned to services that members felt better served their target population.

Challenges to Collaboration

Strategic collaboration can yield great benefits to nonprofit organizations, increasing their effectiveness or improving their efficiency. Numerous challenges, however, can present barriers to success, even in the best-laid plans. Often, strategic partners will not see eye to eye on all things. In this case, involved parties must be cognizant that disagreement and divergent viewpoints can lead to fissures in the relationship and ultimately to the collapse of the collaboration. Some of the barriers to success revolve around divergent organizational cultures and organizational identities, joint ventures entered into at a funder's behest, divergent interests in the collaboration, and threats to reputation and branding.

Organizational Culture and Identity

Most scholars agree that organizations can have distinctive cultures. Some are hierarchical and bureaucratic. Others are free-flowing and horizontally structured. Some are more results focused, by any means, while others tend to be focused more on processes. Often organizational cultures of partnering entities may be dissimilar to each other, creating barriers to effective communication and a high risk of conflict. Often stark differences in culture can lead one entity to feel disrespected by the other. Or it can lead to role confusion. If one entity had a very free-flowing meeting style and the other used structured agendas, this could even make the process of learning about conflicting cultures difficult.

Organizational identity is a powerful phenomenon. Nonprofits compete with private companies for employees not on the basis of salaries but instead on the basis of mission and organizational identity. The uniqueness of a nonprofit's cultural identity can be compromised by working with a partner with a dissimilar cultural identity, creating protective feelings amongst a nonprofit's employees that their organization is losing a special aspect of itself. Interorganizational communication may become compromised as feelings of animosity and distrust manifest and ultimately interfere with the effective relationship building that is essential to the success of any collaboration.

When conducting strategic negotiations at the outset of a partnership, participating entities must also use the time period to assess the similarities and dissimilarities in organizational culture each will bring to the joint undertaking. Does one nonprofit promote a relaxed atmosphere for their employees to work while another nonprofit promotes a professional view that their employees should exercise a measure of formality in all interactions? Does one nonprofit have a leadership structure that encourages employees to take independent initiative, while another operates in a more rigid environment that borders on micromanagement? Identifying these differences and assessing their importance early on can be the key in ensuring that they do not inhibit the chance for success. In some cases, organizations may decide that the barriers to success are too great.

Funder-Driven Collaboration

Often collaboration is *funder driven*, meaning, for instance, the government, the United Way, or a foundation will require that nonprofits work together. These funders will make collaboration a condition for funding, often in the name of improved effectiveness. Funders located in a community often can see redundancies in services or areas in which entities working together can be more effective than when they work apart. They may then require those receiving grants to collaborate with each other. This can be highly useful, as it causes organizations to partner in ways they often would not do otherwise. However, it is important to remember that these types of collaborations are not driven by the organizations. Thus, they may suffer from the other roadblocks listed in this section. Further, the partnering entities may see no incentive to collaborate in more than only name, leading to ineffectual partnerships.

Competing Interests

As previously discussed, nonprofits entering collaboration with another nonprofit, a for-profit firm, or government should make sure that all participating parties clearly identify and communicate their value proposition. This means they should be clear about their main interests and incentives for participating in the initiative. Often, organizations have multiple interests for engaging in an initiative. In the Environmental Defense and McDonald's partnership discussed previously (as related in Crutchfield & Grant, 2008), McDonald's had at least three obvious interests in the partnership: (1) to reduce its costs by reducing its food packaging, (2) to reduce its waste and positively impact the environment, and (3) to appear to its customers and possible customers to be positively impacting the environment. Of these three interests, Environmental shared only one. Thus, it is often possible for partners to find common ground, even when all of their interests do not align. However, parties with interests that are too divergent may want to assess their ongoing or proposed partnerships. In one example, university researchers and nonprofits often partner in the evaluation of programs. However, if the organization is only interested in seeing "good" results and not interested in objective evaluation, the researchers may want to demure. Their interests in the collaboration are likely too divergent.

Assessing potential parties' interests for engaging in collaboration—those clearly stated and those not so clearly stated—is a critical step to avoiding the barriers to effective joint venture. For instance, if a nonprofit is collaborating with a for-profit company because the nonprofit is in vital need of resources, while the for-profit company seeks to expand its customer base, what can be supposed about how the collaboration would operate? Could it potentially spell a differentiation of power to the advantage of the for-profit firm? Differentiation of interests is not a deal breaker when it comes to institutional collaboration. It is instead an inducement for prior planning to bring divergent interests in line in service to a common goal.

Protecting the Brand

Finally, all nonprofits should be particularly aware that their reputation or their *brand* is their chief asset. A nonprofit's brand is sacrosanct because it directly affects its ability to fund raise and generate popular support within its target community and in the community at large. Collaborations carry with them the very real possibility of damaging a nonprofit's reputation and ultimately its ability to perform its underlying mission. For example, if a national animal rights organization announced a joint initiative to stop animal testing in partnership with a major poultry production company, then what would be the probable adverse reaction from some funders? In another example, a nonprofit may be approached about a fundraising partnership by a for-profit firm that has recently suffered from some bad press and is looking to repair its image. The nonprofit's leaders should be particularly wary of this type of relationship, even if it promises substantial financial rewards, because it may negatively affect its organization's brand in the long-term. The risk of a potential collaboration to a nonprofit's reputation is the weightiest countermeasure to a potential collaboration's value.

Five Key Guidelines to Successful Collaboration

Entering into collaboration with another agency can be a little bit like choosing a spouse. Even under perfect conditions, finding the right partner can prove tough. Even if you do find "the one," there is planning to do, and the clearer expectations are, the better. Making such a commitment requires more thought and planning than casual dating. Similarly, entering into a strategic partnership with another organization requires clear communication, clear expectations, and plenty of planning. Partners may have different expectations about what they hope to get out of the arrangement. If they align, that's great. If they compete, this may be a red flag. Thus, to help foster the best possible partnership, it is helpful to start by addressing some key issues early on in the process. Such an exercise can help identify possible barriers to success, helping the relationship develop in a more positive way. The following are some general guidelines that may help an agency determine whether collaboration is in their best interest.

Clearly Define the Purpose of Any Proposed Collaboration

An organization considering a strategic partnership must begin by clearly identifying the purpose of the initiative. Your agency needs to understand its purpose for collaboration in order to find the best fit. What is the strategic goal of the proposed initiative? Generally, how long would it last (short-term or long-term), and how will success be measured? Identifying at the very beginning the reasons for a collaboration—and the strategic outcomes that partners hope to achieve—are critical to ensuring that an agency begins down the right path. If organizations begin negotiations before these are well specified, it may result in a great deal of lost effort.

Identifying the Right Partner

Once your agency has clearly articulated its strategic goals, an organization must consider whether a proposed partner is the right one for their agency. Most important, it must consider the potential impact of the partners in question on its *brand*, or reputation. As previously discussed, for nonprofits (and perhaps even for-profits), an organization's brand is its most important asset. It captures the way that others perceive the agency. Whenever one agency partners with another, the brand of each is impacted. This impact can be positive or negative. Thinking about this ahead of time can cut down on future headaches.

Choosing the partner means taking the time to consider organizations that you might want to collaborate with and brainstorming the effect of such partnerships on the brand of your agency. For example, if your agency promotes use of green energy sources and you are interested in a corporate fundraising collaboration, consider the implications of collaborating with a car manufacturing company versus an organic food company. In some cases, the car manufacturer may be a good partner—perhaps if the partnership is a strategic initiative to find ways to cut down on polluting emissions of factories or increase fuel efficiency in cars. However, a traditional fundraising relationship between the organization and the car company might diminish the nonprofit's brand. On the other hand, partnering with the organic food company might actually reinforce the nonprofit's brand.

It is important, beyond questions of the brand, to research potential partners and assess whether your agency and they can work well together. Does the organization seem to have a culture that will mesh well with your own? Are they known for living up to commitments? Or have they had experiences where they did not fulfill their obligations? A whole host of organizational issues often get in the way of what would appear to be an obvious fit between agencies. Such issues are not often deal breakers. In fact, early identification of major differences in organizational cultures can help leadership teams address these differences and make the partnership a fruitful one.

Clearly Articulate the Interests of Both Entities

The first guideline requires your agency to identify and clearly articulate the reasons that it wants to enter into a strategic partnership. Once your agency has found a partner, it is time to dig a little deeper into your agency's own motivations, and into those of your agency's potential partner. Both agencies need to spend time clarifying the incentives, both primary and secondary, for its organization. Both agencies should benefit from the collaboration, but it is important to remember that both agencies have different reasons for wanting to collaborate. On its own, your agency needs to spend some time articulating the things that it hopes to gain from the collaboration and its motivation for it (your organization's value proposition). Finally, your agency needs to list the things that (1) it is willing to give up to further the initiative and (2) what things are not negotiable. Your organization's partnering agency should do the same. Once you have done this, both agencies need to spend time discussing these interests. Putting this information on the table ahead of time can help in identifying possible conflicts of interest.

At the very worst, some agencies may have malevolent intentions for engaging in collaboration. More than one "merger of equals" has resulted in one organization swallowing up another in an effort to gain its resources and eliminate a competitor. Nonprofit leaders should be aware that these types of situations do exist and should look out for partners who may not have the best intentions. Further, if a nonprofit determines that a proposed joint undertaking is only of greater benefit to itself but has the real possibility of being financially destabilizing to its fellow partner, then it has an ethical duty to warn the other nonprofit of this possibility.

It is important to remember that agencies exist for different reasons. For-profits exist to make money. Nonprofits exist to fulfill their mission. Governments exist to serve the people and provide vital services. Even in collaborations between nonprofit agencies, agencies have different missions to fulfill. Collaboration happens in the overlap of interests. When the interests of two or more agencies can be served by the same means, you have grounds for collaboration.

Assess the Costs and Benefits

At this point, your agency should know why they want to collaborate, who they want to collaborate with, and what they hope to gain. Thus, it is time to explicitly outline the costs and benefits of a proposed venture and determine whether a proposed undertaking is in the best interests of your agency. Sometimes costs and benefits are not exactly clear. Thus, it is necessary for your agency to take plenty of time to think this through. For example, your agency might be considering sharing space with another agency in order to save money. The money your agency saves would allow your agency to start a new program. However, your agency may find that the new location would not be accessible to your agency's clients. Another question is the extent to which the collaboration will take up the time of your agency's staff. What are the costs in terms of staff time? What effect will this collaboration have on organizational culture? How will it affect your organization's autonomy? If your partner has government grants, will this impose restrictions on what you can do? Will a for-profit firm hinder your ability to serve a vulnerable population.

Perhaps the for-profit firm will help you raise 50% of your organization's budget, on the condition that your agency give up your agency's needle exchange program that serves homeless drug users. This is a substantial cost if this is a core service that your agency believes in.

A critical analytic tool for spelling out the costs of a joint venture is to identify its opportunity costs. Economists suggest the true cost of something is not just what you pay for it, but what you give up to get it. The opportunity cost of college, for example, is what you could have done with your time otherwise. For some individuals, such as LeBron James, the professional basketball player, the opportunity cost of college is too high. He would lose money by attending college. (For most of us, of course, college is a great investment and the opportunity costs are low.) The true cost of collaboration is the alternative of what you could have done with those resources instead: perhaps a partnership with another agency, perhaps a different program. Weighing the opportunity costs is critical to making sure you have made a good investment.

Spell Out Responsibilities of Both Parties

A successful partnership must be carefully executed. Sometimes, agencies carefully go through the planning stages, but fail to properly execute the collaboration. For this reason, collaborations often end up in limbo. Setting out responsibilities and creating a timeline can help to ensure that this is collaboration in more than only name.

Both parties need to work together to explicitly state the responsibilities that each has. If the responsibilities are lopsided (one has far more than the other), then this should raise a red flag. Next, partners should create a time line in which milestones are to happen and identify who is responsible for doing the work. This process can be simple, as in cases of collaboration on a project, or complex, as in collaboration between a government body and a nonprofit agency. Be sure to take sufficient time to decide which partner will do what and how it will get done.

Finally, like any relationship, prepare for the unexpected. Both partners must be committed to the process and yet be flexible. They must be willing to meet the needs of the other but must not sacrifice their own needs. Successful collaborations are carefully crafted and require a lot of work, but if your agency finds the right partner and makes the right preparations, it gives the relationship the best start possible.

Future Directions

Many social entrepreneurs—individuals with innovative ideas and the drive to make them happen—hope to start a new nonprofit organization. With a new or energized approach, it seems like the obvious choice to begin a new organization. The United States is often called a *nation of joiners*. But perhaps just as true is that we are a *nation of starters*. There is much in the history of the nonprofit sector to support such a choice. Indeed, the whole history of the sector is one of people who have seen social problems and worked to fix them. Today, however, the sector is bigger than ever. In the midst of resources that are growing at an unprecedented rate (with the exception of the 2008–2009 economic crisis), there are more organizations than ever before. Thus, anyone thinking of starting an organization is obligated to look at the system of organizations in their community serving that target population. How many are there? How effective are they? Would it be possible to work through an existing organization? If not, why? And how would a new entity serve the target population better?

This is not to say that a new venture is not the right way to go. In some cases, it will be. However, no matter what, the nonprofit sector is moving toward a path of closer collaboration across organizations. Thus, any new effort should see itself as a part of a *system of services* and seek to complement—and even strengthen—services already being provided. Using the guidelines discussed above and being aware of many of the challenges that pose barriers to successful collaboration, nonprofit leaders can work to develop an ever stronger sector through strategic, meaningful, and effective collaborations.

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Major Social Change Theories That Nonprofit Leaders Should Know

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Seldom in the history of humanity has either the pace or variety of change been greater than that witnessed in the past 3 decades (Homer-Dixon, 2000). The revolution in communication and technology has made the world a smaller and vastly more interconnected place. The ripple effects of this revolution extend to the very structure of our society:

- Increases in life expectancy through medical advances and vast migrations of people have contributed to significant demographic shifts in Western societies. These shifts pose new challenges to governments and nonprofit organizations in particular.
- One of these challenges is a growing clash of values between upholding individual rights and civil liberties on the one hand and a demand for greater adherence to more "traditional" religious and cultural values on the other. Nonprofit organizations often find themselves caught in the middle.
- With more rapid communication and transportation capabilities, global competition and trade agreements are shifting production around the world thus affecting millions of lives.
- Advances in technology have made many jobs obsolete, creating major employment, welfare, and educational challenges. The gap between rich and poor continues to grow, even in Western countries (Dunn, 2003).
- Paradoxically, despite these strides in technology, famine, drought, and disease are still endemic in much of the world and often made worse by the displacement of people from rural to urban settings and the destruction of environmental ecosystems.

These changes have implications not only for businesses and corporations but also for nonprofit organizations many of which serve the poor, the displaced, and the diseased. In addition, accompanying these major societal transformations is a general philosophical shift that leans toward adopting the "corporate model" as the gold standard for efficiency in both public and nonprofit sector organizations, irrespective of its degree of applicability and relevance (Meinhard, Foster, & Berger, 2004; Rice & Prince, 2000). This has led to demands on nonprofit organizations to adopt more efficient businesslike practices, even as they are coping with all the other changes.

It is not surprising then that the challenge of navigating an organization in times of rapid and multifaceted change may seem staggering to the people within. With so many things happening simultaneously, it is difficult to know where to focus, to understand what is critical, and to be aware of the opportunities and resources that may be available. Much like first-time parents, leaders can be overwhelmed by the barrage of new information and the struggle to determine what is most important. However, their sense of being consumed by these details can be significantly reduced if given a lens through which to see what is critical and tools with which to confront the new challenges. In this chapter, various lenses are offered to help leaders navigate change: a wide-angle one to understand the broader context of the challenges they face and a telescopic one to focus on those aspects of the external and internal environments that are critical to their organizations. While there is no "magic bullet" to make organizational transformations easy and painless, the research and theories presented here will enhance understanding of the complexities involved and help leaders move forward in the context of their organizations' missions.

Many societal observers have noted that change is constant and that the human species is quite adept at accommodating to the demands of a changing environment (Wheatley, 1992). Our very presence on this planet today attests to our adaptability as a species. And yet, as individuals, we have all experienced reluctance—and even failure—to change. How many times have we balked at work directives that require us to change? How often do we cringe at the thought of learning yet another new task or software system? How many well-intentioned resolutions to change certain personal habits have we made that we have failed to keep? So although at a species level we display admirable adaptability, at an individual level, we portray a degree of reluctance to and difficulty with change. This is especially true today with the ceaseless bombardment of new technologies. The pace of technological change is relentless, yet our human capacity to absorb new technology is limited (Homer-Dixon, 2000). This individual reluctance toward change and our limited absorption capabilities have implications in organizational settings. Recent studies serve to illustrate how difficult it is to guide organizations through successful transformations; an estimated 60% to 80% fail to achieve their goals (Champy, 1995; Kotter, 1995). And yet on a species level, organizations, just as humans, have adapted to changing environments mostly through a process of replacement; organizations no longer serving the needs of their environment die only to be replaced by new, better fitting organizations (Hannan & Freeman, 1989).

Some organizations do, however, engage in substantial change processes that are successful and result in significant restructuring to the benefit of the organization. These transformations may have resulted from small, incremental steps taken over a number of years, or they may have been the result of planned, radical strategies (Kotter, 1995). The following sections present theories and empirical observations that elucidate why change is so difficult and provide guidelines for consideration before embarking on organizational transformations.

Conceptual Model

The conceptual model presented in Figure 63.1 visually illustrates the complex and integrative dimensions of leadership and organizational change, positioning it within the

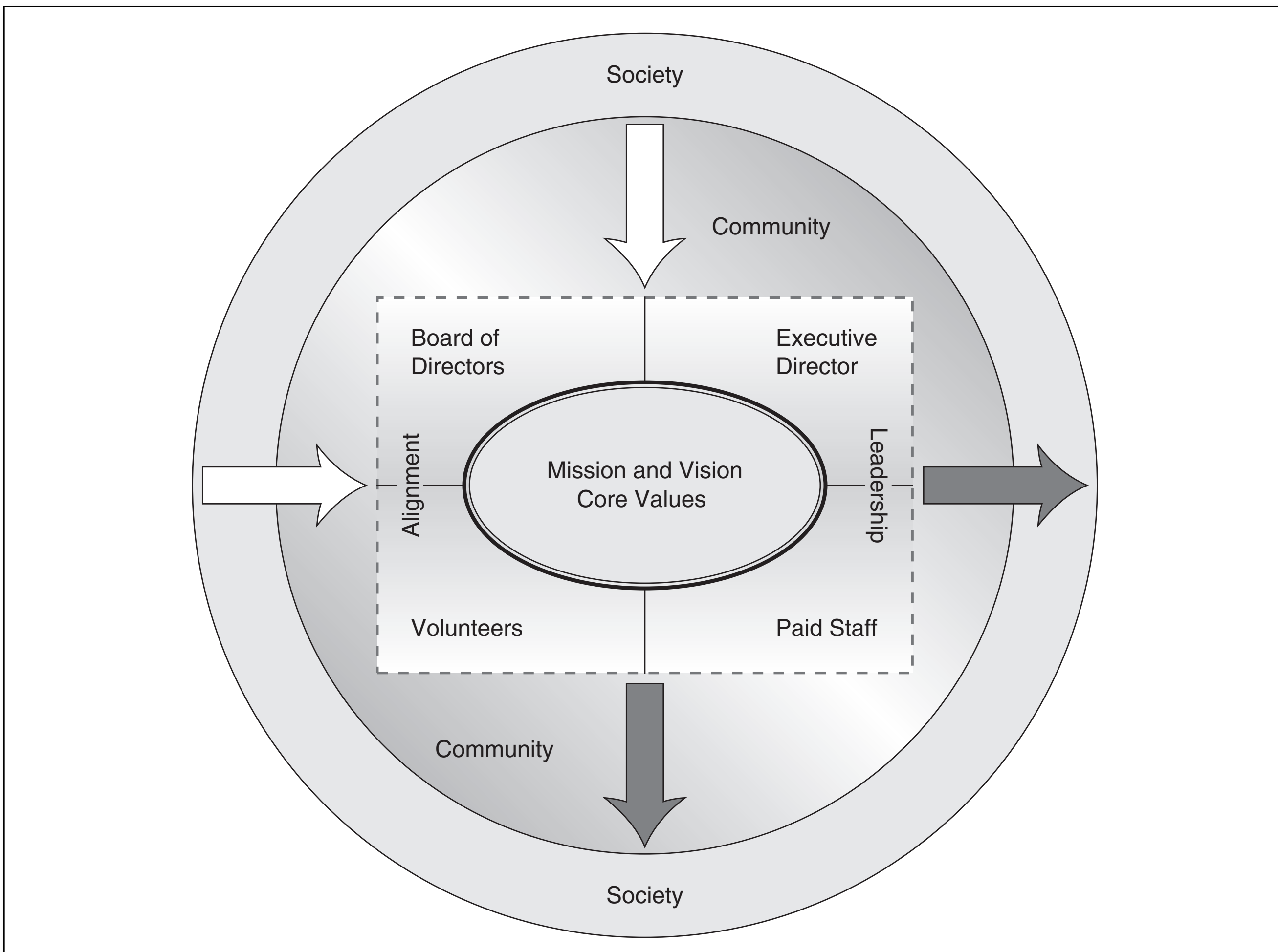

Figure 63.1 Open Systems Concept of Organization—Environment Relations

NOTE: The author gratefully acknowledges input from personal discussions with Peter Elson in conceptualizing this figure.

fundamental context of the relationship of nonprofit organizations to their immediate community and society at large.

The outer ring represents society-at-large—those social, economic, political, legal, and technological forces that influence trade agreements, domestic and foreign policies, the degree of inequality and poverty in society, and the technological changes that so often drive productivity expectations. This macrosocietal ecosystem interacts in a dynamic fashion with the communities in which nonprofit organizations function—found just inside the outer ring in the diagram. Community, in this case, is not limited to a geographically contained neighborhood; rather, it is used in its broadest sense, as a community of people and organizations that are in immediate contact with the focus organization regardless of their geographic location. For example, large organizations operate within a provincial or state and national or international community while others serve virtual communities over the Internet, but still, most nonprofit organizations are small to medium in size and operate at a local level. This section thus represents the external stakeholders, including funders, clients, collaborators, and the interests of the general public. Otherwise known as the *domain environment* (Daft, 2001), it defines the dynamics that influence access to scarce resources (competition or collaboration with other organizations) and the political, social, economic, and technological context of the organization.

The inner rectangle with the broken lines represents the open system character of the nonprofit organization and its own dynamic relationship with society and community. The premise is that as open systems, nonprofit organizations are both affected by and in turn influence their community and society. This interaction between the organization and its environment is depicted by two sets of arrows. The white arrows indicate community and societal inputs affecting the organization; the dark arrows represent outputs from the organization to the community and society.

At the very center of the organization, depicted by the oval, is the core of the organization (Thompson, 1967) expressed through its vision and mission. It is a manifestation of both the internal soul of the organization and the public good it provides to community and society. Surrounding this core are the four major internal stakeholder groups—the board of directors, the executive director, paid staff members, and volunteers—each with their own roles in the fulfillment of the organization's mission. In larger organizations, staff and volunteers are distributed in different organizational departments or subunits that have to be aligned in order to efficiently fulfill the organization's mission. The organization as a whole has to be in tune with its environment, positioning its vision and mission in relationship to the needs (present or future) of its stakeholders, the community, and the society it serves. Organizational change is basically a realignment of the organization's structure—technical, political, and cultural (Tichy, 1983)—to meet the changing demands of its environment. Leadership is a fundamental prerequisite to the creation of a supportive climate for change. In a nonprofit organization, formal leadership manifests itself at the board of directors and the executive director levels. Leadership also is found throughout the organization including paid staff and volunteers. The extent to which an organization is adaptable and flexible and undertakes ongoing planning, asset-based development, training, and organizational learning, will determine its success. Leadership, alignment, and adaptation capacities all interact with each other and play key roles in the dynamics of organizational change.

Organizations and Their Relationship to the Environment

As open systems, nonprofit organizations are dependent on their environments for survival. They import human, financial, technical, and natural resources, such as volunteers, skilled labor, knowledge, and donations or grants, from the environment to produce a product or provide a service of value to the community and/or society (Katz & Kahn, 1966). Therefore, the organization is dependent on its environment both for its resources and for the consumption of its services or products (Pfeffer & Salancik, 1978). If resources are not available or if the organization's outputs are not valued, the organization will be unable to sustain itself. Together, the resource suppliers and the service consumers constitute the organization's niche (Hannan & Freeman, 1989).

The first challenge a newly formed organization faces when trying to gain a foothold in a particular niche is to establish its legitimacy, in other words, to convince both internal and external stakeholders that it can reliably carry out its mission (Stinchcombe, 1965). It does this by reinforcing behaviors that are successful and dropping those that do not work. Thus, during its formative years, a nonprofit organization, whether it is a hospice, an artists' cooperative, or an environmental watchdog, establishes a pattern of operations and a nexus of relationships that is best suited for its niche. This process of institutionalizing organizational beliefs, culture, structure, patterns of behavior, and networks of relationships predisposes organizations to powerful forces of inertia that over time make it difficult for them to change (DiMaggio & Powell, 1983; Hannan & Freeman, 1989).

This is borne out by statistics recording the survival rates of organizations. Whether they are for-profit or nonprofit, 5-year survival rates hover around the 20% range (Aldrich, 1979). Referring to this phenomenon as the *lia bility of newness*, organizational researchers have hypothesized both internal, or organizational, and external, or environmental, causes to account for this. According to Stinchcombe (1965), internal causes stem from a lack of organizational knowledge and inadequate core competencies on the one hand and problems of coordination and poor socialization on the other. External reasons include a lack of or tightly controlled resources, financial or other, and competition from other organizations. Although these pressures are particularly strong during the founding process, they can occur at any time in an organization's life cycle.

Greiner (1972) identified various stages of organizational growth with each culminating in a crisis that has to be resolved through some kind of organizational change. The first stage of growth, *a time of creativity*, culminates in a *crisis of leadership*. The entrepreneurial, creative leader is not generally a competent manager, and management becomes more important as an organization grows. This crisis of leadership is resolved by finding a competent manager-leader to provide clear direction to the organization. The second stage of growth, *a time of direction* under the new management, culminates in a *crisis of autonomy*. As an organization grows, it is impossible for one person to control all aspects of operation, and too much centralized control leads to dissatisfaction. More autonomy is needed in the organization. The crisis is resolved through delegation of power to individual units. However, this third stage of growth, *the delegation* stage, precipitates its own problems and leads to a *crisis of con trol*. Although decisions can now be made autonomously, organizational actions must be coordinated. This fourth stage of growth, *coordination,* requires more rules and regulations and reporting protocols to ensure that all the units of an organization are working together toward a common goal. The proliferation of rules and regulations and reporting requirements leads to the well-known *crisis of too much red tape*. This crisis can be addressed by increasing collaboration among organizational units through multifunctional teams and a matrix structure. Greiner did not identify a crisis for the last growth stage, *collaboration*, but Daft (2001) added the *crisis of revital ization*, which occurs when an organization has elaborated a final, stable structure. Each of the crises identified above defines a specific aspect of one or more of the four broader reasons for failure hypothesized by Stinchcombe (1965): lack of knowledge, inadequate competencies, problems of coordination, and poor socialization. Failure to negotiate any one of these crises can lead to an organization's demise.

Recent longitudinal research in several Western countries suggests that most for-profit organizations do not exhibit significant growth over their lifetimes (Aldrich & Ruef, 2006). In the United States, only about 15% of firms added significant numbers to their workforce. Although there have been no similar investigations of nonprofit organizations, it is safe to assume that the rate of growth would be even lower in the nonprofit sector. Thus, while there may be some internal pressures for change even in small nonprofit organizations—many nonprofits do undergo a crisis of leadership—most of the pressure for change would come from the external environment.

The external pressures identified by Stinchcombe (1965) relate to inaccessibility or scarcity of resources and high levels of competition in the niche. Each of these conditions leads to environmental uncertainty. Uncertainty about acquiring resources and making a dent in a competitive market is greatest in the early stages of an organization's existence, but whenever there are changes in the niche, even an established organization faces renewed uncertainty. The frequency, predictability, and size of environmental changes and the number of concurrent environmental changes determine the extent of environmental uncertainty; whether the changes occur slowly or rapidly and at regular or irregular intervals and whether many aspects of an organization's environment are changing as opposed to only one or two, all have an impact on the extent of uncertainty faced by an organization.

Researchers have found that certain organizational structures and strategies are more conducive in helping an organization navigate rapidly changing, uncertain environments. Organizations with flatter structures, decentralized decision making, and horizontal as well as vertical communications are more successful than the more rule-bound, centralized "tall" bureaucratic structures. They are more nimble and can undertake the rapid changes necessary to remain relevant in their changing niches (Burns & Stalker, 1966; Lawrence & Lorsch, 1967).

Other researchers have noted that organizations adopt various strategies to neutralize the effects of environmental uncertainty, such as stockpiling, creating new markets, boundary spanning, resource diversification, lobbying government, vertical and horizontal integration, mergers, and even illegal activities (Pfeffer & Salancik, 1978; Thompson, 1967). Overall, a generalist strategy, that is, providing diversified services or products that serve several different niches simultaneously, is more likely to afford an organization protection in times of environmental uncertainty. While one niche may be rapidly changing, stability in the organization's other niches can give the organization the necessary time and organizational slack to undertake the changes needed to reengage in the niche. On the other hand, organizations with specialist strategies, providing only one product or service to a single niche, are less likely to survive changes in their niche. Before they can complete the changes, they will be replaced by new organizations that better serve the changed niche (Hannan & Freeman, 1989).

For the past 3 decades, the environment of the nonprofit sector has become quite volatile, subject to critical ideological and technological changes that have had a pronounced impact on the social, political, and economic climate of the nonprofit sector. Changes in social policies, funding patterns, and accountability demands have thrown many nonprofit organizations into turmoil, threatening their viability and exerting pressure on them to change.

Barriers to Change: The Role of Organizational Paradigms

How nonprofit organizations respond to internal and external pressures to change may affect the course of their development and even their survival. It is generally acknowledged that major organizational change is very difficult. Statistics indicate that the majority of organizations fail to achieve change, and many of them actually do not survive the change process. For example, several studies evaluating the impact of Total Quality Management (TQM) programs found that in at least two thirds of the organizations studied, the hoped-for improvements were not achieved. This was not because TQM is ineffective but rather because the program was poorly implemented (Beer, 2003). Another study noted that about 70% of organizational reengineering attempts fail (Champy, 1995). And Kotter (1995) found that very few efforts at organizational change of any kind were successful. He goes on to say that a major reason for these failures is that change is a multiphase project that requires a considerable amount of time.

Whether or not an organization has sufficient time to implement the changes successfully also depends on the timing of the change. Tushman and Romanelli (1994) found that timing was the strongest predictor of successful change. Organizations undertaking change during relatively stable times are more likely to be successful because change takes time to implement, and when there is no external pressure driving the change, there is time to experiment and evaluate; in stable times, there are usually slack resources available to cushion the disruptive effects of change, and even large scale changes are implemented as a series of small steps, which need time. On the other hand, in times of crises, change has to be rapid, which is very disruptive to the organization. With no time to experiment and evaluate and with little access to slack resources, many organizations do not survive the change process.

Even in stable times, organizational change is strewn with difficulties, so why is it that most nonprofit organizations seem to wait until crisis is upon them before undertaking change (Meinhard & Foster, 1996)? The simple answer is that most nonprofit organizations do not engage in systematic environmental scanning; therefore, they remain unaware of subtle changes occurring in the environment. By the time they realize that they have to do something in response to the changing environment, it is often too late. But this answer does not explain why organizations do not do a better job of environmental scanning and why even those organizations that are alert to environmental trends often do not respond in timely or appropriate ways.

Part of the explanation lies in the concept of organizational paradigms. Paradigm refers to the shared understanding and shared exemplars that emerge in any kind of a social entity to guide behavior (Kuhn, 1993). In organizations, it is a way of doing things, a way of looking at the world that includes beliefs about cause-effect relations and both explicit and tacit standards of practice and behavior (Brown, 1989, pp. 134–135). As the culmination of an institutionalization process that every nonprofit organization goes through to gain legitimacy, the organization's paradigm is the glue that binds its members together, providing a sense of collective identity. It also affords the organization distinctiveness, differentiating it from other organizational actors in its environment (DiMaggio & Powell, 1983). As such, the paradigm serves the organization well; as long as its environment remains stable, the organization will have no difficulty surviving, expanding, and thriving, and in the process, becoming more securely ensconced in its niche. But the very paradigm that garnered the nonprofit organization its legitimacy is often so strong that it inhibits members from perceiving the necessity for change. Much like the *Titanic,* organizations speed ahead in the dark, confident in their course, and complacent in their successes. Even though they realize there may be obstacles out there, few organizations engage in systematic environmental scanning. This leaves them unaware of subtle environmental changes that are often the precursors of dramatic environmental shifts. Thus, they are unprepared when the necessity for change becomes unavoidable.

Paradigms not only place blinders on organizations, inhibiting them from seeing the necessity for change and limiting their solution alternatives, but also they generate powerful inertial forces that resist change. Defining as they do, both the power structure and social networks of organizations, the vested interests of individuals may be threatened by change, invoking resistance, which can slow down the change process, render it inadequate, or stop it altogether.

As long as changes do not involve transforming their essential paradigm, organizations have no problem engaging in fine-tuning, which involves small adjustments to structure or operations, or instituting small, incremental changes, where new units or activities are added. Often, these strategies tend to mask or delay the inevitable necessity for substantial transformations and ultimately place the organization at a disadvantage. Even in times of crises, organizations may rely on "quick fixes" rather than sustainable restructuring. An example of a quick fix is the tendency to downsize across the board in response to funding cuts rather than to engage in strategic restructuring.

In summary, change is difficult because (1) the paradigm provides the frame and the concepts with which to perceive the world, and therefore, it is difficult to recognize new opportunities and to find solutions to new problems; (2) the paradigm defines the power structure in the organization, and thus, it is very difficult to make any changes that will upset those with vested interests in the perpetuation of the paradigm; and (3) the paradigm contains the myths of the culture, and thus, to change the paradigm implies giving up the myths that define the group, and this may presage the dissolution of the group.

Leadership and the Human Dimension of Change

Whereas in the previous section, barriers to change were examined from a macro-organizational and theoretical perspective, the focus in this section is the role of the individual in hindering or advancing change. Humans are the essential elements in all organizations, and although their collective, interactive behavior in the organization is more than just the sum of each individual's activity, an understanding of the complexity of the individual and his or her power to facilitate, delay, or subvert change, is essential for understanding the challenges of change in the organization. There are four stages at which human nature is most likely to affect the change process: (1) during environmental scanning and information gathering, (2) at the initial stage of the change process, (3) during the heart of implementation, and (4) at the closing stages of change. These individual factors are often exacerbated in group settings where the dynamics of group interaction can either increase the resistance to change or provide support for it. The role of the leader is never more telling than during times of transformation when all members of an organization have to be channeled toward its new goals. Each of these four stages presents its own challenges.

During the *environmental scanning stage*, various impediments to perception may prevent individuals from correctly interpreting what is happening in the environment. Pfeffer and Salancik (1978) point out that there are two types of environmental forces acting on the organization: objective forces and perceived forces. *Objective forces* refer to all the environmental forces that impinge on the organization, both general and specific, whether or not they are perceived by organizational actors. No one can really know the objective environment because everything is experienced and interpreted through human senses. Nevertheless, it is there, and it is changing; and although the objective forces are unknowable, organizational actors must remain open to different perspectives and interpretations of what are considered to be "the facts." Misreading the environment can lead to dire consequences, as the Canadian Red Cross Blood Services learned when it continued to ignore and misinterpret signals about the safety of its blood supply. Charged for distributing tainted blood, the Red Cross paid heavy fines and eventually lost its role as Canada's blood supplier (CBC News, 2006, In Depth: Tainted Blood section). The role of the leader is to encourage open expression of opinions in order to attain the fullest understanding of the complexities of both the internal situation and the external environment of the organization. However, as Hinings and Greenwood (1989) point out, there is a danger that disagreements among individuals' interpretations may paralyze the organization and prevent it from pursuing any course of action. Here again, leadership is crucial for assimilating the information, setting a course of action, and defusing disagreements. This can be doubly challenging in nonprofit organizations because of the inherent duality of leadership; the paid executive director leads daily operations, but the volunteer board chair or president is ultimately responsible for the organization's behavior and for providing strategic direction. This duality can create difficulties and conflict; thus, a harmonious relationship between the chief executive and the board of directors is critical to effective leadership in nonprofits (Hermann & Heimovics, 1991).

Resistance is almost reflexive during the *initial stage of the change process*. It is largely driven by individual feelings of insecurity and a fear of the unknown, including fear of changes to the social network; fear of the loss of power, status, or even one's job; and fear of being unable to learn technologies and adapt to new work systems. Resentment caused by these fears is amplified when the necessity for change is not clearly understood by those to be affected. As researchers of organizational change remark, communication at all stages of the change process is a key to success (e.g., Kotter, 1995; Tichy, 1983). This is particularly true of the early stages, which set the tone for the entire process. Therefore, all scholars agree that communicating a clear vision of where the organization must head is essential. But as Lewin (1951, pp. 172–174) suggested in his famous force field theory of change, before embarking on the transformation process, the old understandings and patterns of behavior must be "unfrozen." This means that the vision communicated to organizational members must include valid and relevant information that the old way of doing things is no longer effective and that not changing may jeopardize the organization or even endanger its survival.

Resistance may grow during the *implementation stage* as the impending change becomes more concrete and therefore possibly more threatening. Specific details of the change are questioned. Interaction increases as more people become involved in the change process. What was at first unorganized opposition may become mobilized into coalitions against change. Leaders throughout the organization need to spend time explaining the change, listen to member concerns and involve them in the process, recruit respected colleagues as emissaries for change, create conditions that motivate members to participate in the change process, and ensure an equitable reward structure following the change (Gilley, Dixon, & Gilley, 2008; Kotter, 1995).

Change may also fail in the *closing stages* of the process, what Lewin calls the "refreezing" stage. Even when organizational members have dropped their resistance and have begun the process, they may not follow through. Before the new patterns are entrenched, organizational members may slip back to doing things the old way. This may occur at a conscious level or may not even be realized, as the institutionalized patterns and old habits take over again. The probability of backsliding is compounded in a group setting, where group behavior patterns can reinforce the individual ones. Thus, sustaining the momentum in the latter stages of change is important. The leader must keep the project going through ongoing communications, continued team building, continued removal of barriers, and distribution of fair rewards. The transformation is not complete until the new patterns of behavior are embedded in the organization's culture (Kotter, 1995; Tichy, 1983).

The research of Hinings and Greenwood (1989) is instructive in revealing the various ways in which organizational transformations can be delayed or derailed. Basing their model of change on Lewin's force field theory, they demonstrate that organizational change is seldom the simple linear process of "unfreezing—transforming—refreezing." In fact, some organizations are unable to contemplate major change as they suffer from *inertia*; others may end up with what the authors call *aborted* or *unre solved excursions.* Only a few will experience successful *reorientations* (transformations). Inertia describes organizations whose original paradigm remains coherent throughout, major transformations are not contemplated, and the changes accomplished are only minor adjustments in the organization. Aborted excursions refer to situations in which there has never been a full unfreezing of the original paradigm. Organizational performance declines as uncertainly about the change prevails. Ultimately, the change experiment is aborted and the original paradigm is reinstated. In the case of unresolved excursions, the organization is "locked between the gravitational pulls of competing" paradigms. The old paradigm is no longer coherent, but the new paradigm has not yet been accepted reflecting the tension between the two contradictory sets of ideas. The organization continues operating in conditions of high uncertainty. Even reorientations indicating successful transformations are not always smooth and linear. They occur in one of three ways: (a) by linear progression as depicted by Lewin, where the old paradigm is dismantled, followed by a transformation period, which culminates in the full adoption of the new paradigm; (b) by delayed acceptance, where the dismantling of the old paradigm takes a long time only to be suddenly replaced by the new one; and (c) by oscillations between the old and new paradigms, as expressed in a series of temporary reversals caused by resistance to the dismantling of the old paradigm and incomplete acceptance of the new paradigm. Unlike unresolved excursions, in this scenario, the new paradigm is finally adopted.

In summary, organizational transformation is a multistage process subject to individual shortcomings and resistance that can delay or derail the desired outcome. Leaders must recognize both internal and external indicators that suggest a need for change, envision the new direction the organization has to take, articulate and communicate the vision, and inspire members to accept and follow it. Each of these tasks requires specific and different skills. Often, these skills are not lodged in a single individual; therefore, another important characteristic of an effective leader is the ability to recognize his or her strengths and weaknesses and delegate appropriately. In addition, an effective leader has to be familiar with all aspects of the organization, know and understand the needs and concerns of its members, match the various organizational tasks with the interests and the abilities of its members, and coordinate the effort.

Organizational Transformation as a Holistic Process

One of the most important and most overlooked aspects of managing organizational transformations is remembering that an organization is a complex system in which the various formal and informal subsystems are intricately interrelated. A change in one part of the organization can have ripple effects throughout the enterprise; thus, a holistic perspective on change is important. For example, in one nonprofit organization, changes in human resource policies at the head office put a severe strain on the branch offices, which were now required to submit more information without a commensurate increase in staffing. The change was introduced without sufficient consideration of the organization-wide implications, and frustrated members in branch offices, many with only volunteer staff, scuttled the project simply through noncompliance. Subsequently, a different system was put in place after broad consultation with all branches. However, valuable time, energy, and goodwill were lost in the abortive first attempt.

Tichy (1983) uses a rope metaphor to underscore the tight interrelationship among the political, cultural, and technical systems of the organization. Thus, even a small change in one system can affect the others For example, the simple introduction of e-mail as its primary form of communication ended up changing the composition, the power structure, and the culture of a national fundraising organization supporting children's educational needs overseas. Many older members, without computer skills or Internet access, gracefully bowed out, making room on the board for younger individuals. Their outlook changed the culture and the strategic direction of the organization. Although in this example the initial technological change was not a major one, its widespread and unexpected repercussions serve as a good illustration of the way in which the various subsystems of an organization are interrelated.

The above examples illustrate the ripple effects a change in one subsystem can produce throughout the organization. However, Tichy (1983) goes further, suggesting that synchronizing the political, cultural, and technological subsystems of an organization is essential to the transformation process: "Ultimately, transforming organizations is a reweaving of the three strands" (Tichy 1983, p. 52) that enhances the process of transformation. Activating the organization's political subsystem helps find the necessary resources (funds, materials, space, staff, volunteers, and time) and support (endorsement, backing, approval, and legitimacy) for the transformation. Implementation requires the activation of the technical system, which includes fostering the exchange of information and organizing into planning and task groups to forward the transformation. It can also involve the realignment of the organization's structure to accommodate other changes. Situating the change in the context of the organization's norms, values, and mission is important to reassure members that its culture will not be weakened. Recognizing and working with the various subcultures and informal friendship networks in the organization helps defuse resistance.

As illustrated in the conceptual model presented in Figure 63.1 at the beginning of the chapter, the organization is totally embedded in its environment. More recent theories of organizational change take a holistic perspective that includes the environment. Based on complexity theory and the application of chaos theory to organizations, this approach eschews the fortress metaphor of organization defending itself against "destructive" forces from the outside, changing only when absolutely necessary. Instead, it offers an alternative view, one that likens an organization to a stream. The stream represents process structures "that maintain form over time, yet have no rigidity of structure" (Wheatley, 1992, p. 15). Water has a need to flow, but the form of the stream changes, at times curving to bypass rocks, at times broadening, at times narrowing. "Structures emerge but only as temporary solutions that facilitate rather than interfere. There is none of the rigid reliance on single forms, on true answers, on past practices" characteristic of organizations (Wheatley, 1992, p. 16).

The organization is part of a complex ecosystem that is in constant, at times chaotic, flux. Leaders should recognize that chaos and complexity are "not problems to be solved but . . . aspects of a process by which living systems adapt, renew, maintain and transcend themselves through self-organization" (Dennard, 1996, p. 495). Indeed, the basic lesson of chaos theory for organizations is that change is constant and that from the chaos of change comes order, which then reverts to chaos again in a continuing pattern. Therefore, organizations should not fear change; rather, they should be open places where people and ideas can mix freely to re-create the organization in synchronization with the environment. The more open an organization is to the outside world, the more easily it will be able to absorb the ideas that are necessary for innovation and renewal. But as evidenced in this chapter, mature organizations cling to their old ways; they are loathe to relinquish the very paradigms that were the keys to their past successes. According to complexity theory, for mature organizations to transcend and reach this open state, they may need to enter a phase of "creative destruction," dismantling systems and structures that have become too rigid, have too little variety, and are not responsive to the current needs of their environment (Zimmerman, Plsek, & Lindberg, 1998). Although the old is destroyed, in this process, the emphasis is on the word *creative*: creating the potential for innovation and new insights as the organization struggles to renew itself in harmony with its environment.

The role of the leader is to facilitate taking the road toward the fulfillment of the mission by nurturing individual capacity in an atmosphere of free exchange of ideas. One way in which to do this is to increase the organization's capacity for *double loop learning*; thus, organizational members are constantly questioning the premises of their organizational paradigms, testing them in the context of their changing realities (e.g., Argyris, 1993). By providing courses and seminars, by recruiting people from the outside to create the new core competencies, by involving clients and other stakeholders in planning, leaders can expose organizational members to the new ideas necessary for continual innovation and change.

Summary and Future Directions

If present trends persist, the future of nonprofit organizations will continue to be fraught with uncertainty and change driven by forces from within and without. These forces will need to be aligned with the organization's mission and reconciled with institutional views of the voluntary sector. This chapter has attempted to provide the reader various lenses with which to understand the complexities of organizational change. The lenses focused on internal and external forces that organizations need to be aware of, barriers to successful transformations, and prevailing knowledge about managing transformations. Finally, this chapter highlighted the holistic nature of change not only within the organization but also as part of an ever-changing social and organizational ecosystem. Although recognizing that leadership is important, the emphasis in this chapter was more on what leaders have to be aware of than on how they need to act.

Some of the issues that nonprofit organizations will confront in the coming years are (1) the continuing redefinition of the relationship among the three sectors, especially the governmental one; (2) the proliferation of commercial ventures and the subsequent blurring of boundaries between nonprofit and for-profit sectors; (3) the restructuring of the nonprofit form and the exploration of new roles for voluntary organizations; (4) the increasing "capacity divide" between very large nonprofit organizations and smaller ones; (5) the exploding population diversity in large urban centers and how it affects volunteering; (6) the rate of technological innovation and its implications for volunteering, advocacy, and service delivery; and (7) the impact of heightened security measures on the ability of nonprofit organizations to act in an advocacy capacity.

Building a successful future in the context of nonprofit leadership and change will have a number of common elements: (1) building a diverse portfolio of services and revenue sources, (2) creating community sector networks to identify common issues and build a support system, (3) effectively and efficiently increasing transparency and accountability to internal and external stakeholders, (4) integrating program delivery with support to participate in civil society, (5) harnessing technology to learn from the world and develop staff and volunteers, and (6) increasing access to professional leadership skills through research and development as well as educational programs.

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Public Policy on Tax Exemptions for Nonprofit Organizations

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Public policy related to tax exemption defines the broad boundaries of the nonprofit sector. Nonprofit organizations do not pay income tax, property tax, or sales tax on purchases. Government requirements to become exempt capture some but not all charitable practice. The entry begins with an examination of taxation and how government defines charitable activity. A discussion of exemption criteria follows. The entry concludes with an application of exemption requirements to three different types of human services. This illustrates the difficulty of formulating a uniform definition that fits every nonprofit.

Taxation and Nonprofits

By and large, government does not require nonprofits to pay tax on income, property, or sales. Requirements that exempt nonprofits from taxation involve federal, state, and local government. To be recognized as exempt under section 501(c)(3) of the federal income tax code, nonprofits use Form 1024 to apply to the Internal Revenue Service (IRS). After a review that can take up to 6 months, the IRS issues a letter of determination. State requirements usually follow IRS exemption criteria (Bowman & Fremont-Smith, 2006). With respect to property tax, most local governments do not require payment from nonprofits. In most states with sales tax, a nonprofit may apply for a certificate that assures retailers the organization is exempt. Nonprofits do not pay tax on purchases; however, most states require a nonprofit to collect and remit tax on sales made by the organization.

In 2005, 1.4 million nonprofits were registered with the IRS (Wing, Pollak, & Blackwood, 2008). Nonprofits with annual gross receipts under $5,000 and religious organizations are not required to file. Over 500,000 organizations had annual gross receipts of more than $25,000 and were required to file a Form 990 tax return with the IRS. Most states also require nonprofits file a Form 990 each year.

The largest group of exempt entities, public charities, meets the definition of charitable contained in section 501(c)(3) of the IRS tax code (Hopkins, 2009). Section 501(c)(3) exempts religious, educational, scientific, cultural, environmental, health, and human service organizations from federal income tax. These organizations are engaged in activities that benefit the public. Public support (donations from individuals, foundations, and corporations as well as grants from government) is a substantial proportion of total revenue (Wing et al., 2008). Public charities will be the focus here. Henceforth, nonprofits will refer to public charities. A brief description of income, property, and sales tax follows.

Income Tax

Income tax levies profit generated by individuals and corporations. Nonprofits do not pay federal or state income tax. It is likely that a tax on nonprofits' net income (the difference between revenue and expense) would generate a small amount of revenue (Simon, 1987). When nonprofits earn income unrelated to a charitable purpose, proceeds from this activity are taxed at the corporate rate. This is known as the unrelated business income tax, or UBIT.

Property Tax

Property tax is a central resource for local government. A few state and local governments, according to a survey by Leland (1998), require nonprofits to make payments in lieu of taxes (PILOTs) or to provide services in lieu of taxes (SILOTs). In Philadelphia and Pittsburgh, for example, nonprofits that provide health care or education make a PILOT (Steinberg & Bilodeau, 1999). With the exception of PILOTs and SILOTs, most nonprofits are not required to pay property tax.

There are several studies of property tax exemption and nonprofits (Brody, 2002; Brody & Cordes, 2006; Chang & Tuckman, 1990; Dover, 2003; Hansmann, 1987b; Steinberg & Bilodeau, 1999). Does property tax exemption increase the market share of nonprofit organizations? In a study of nonprofit hospitals in Tennessee, Chang and Tuckman (1990) did not find a relationship between property tax exemption and market share. So far, there is no evidence property tax exemption causes charitable organizations to buy more land in a particular locale that does not tax nonprofits (Steinberg & Bilodeau, 1999). Hansmann (1987b) did not find a significant effect on the share of nonprofits in cities with higher property tax rates. Services provided by nonprofits may, in fact, improve a community and raise property values. Dover (2003) found this effect in Toledo, Ohio.

Sales Tax

Sales tax is levied on the purchase of certain goods and sometimes services. It is paid by consumers or end users at the point of purchase. Retailers collect and remit sales tax to state and sometimes also local government. State and local government try to apply the same tax to all private organizations, both for-profit and not-for-profit. In most cases, how nonprofits are treated is simply a matter of whether or not a good (or service) is taxed. If so, all private organizations that sell goods and services not excluded from the tax base must collect and remit sales tax. When there are exclusions of certain goods or some nonprofits are exempt, this adds to the administrative expense of government (Due & Mikesell, 1983; Steinberg & Bilodeau, 1999). It also adds to the administrative costs of private nonprofit and for-profit organizations (Blumenthal & Kalambokidis, 2006).

A state or local government's decision about whether nonprofits must remit tax on sales made by the organization turns on a number of factors. This is more than a matter of whether or not sales tax is levied on a particular good or service. Meeting federal IRS income tax exemption guidelines is usually not enough. When sales are occasional (e.g., sales in conjunction with a special fundraising event), typically, nonprofits are not required to remit sales tax. In this case, the intent of a purchase is to make a donation. Sales characterized as regular, habitual, or integral to a nonprofit's activities are taxable. This is true whether the sale is related to a nonprofit's charitable purpose or unrelated. In the case of regular sales, the intent of a purchase is to acquire a good or service (not to make a donation). States define regular sales in different ways. If sales occur, for example, more than 20 days out of the year, then these sales may be considered regular. When a hospital or museum operates a gift shop or café, tax on sales made must be collected. Some states require child care providers to remit sales tax on fees.

Tax treatment of nonprofits with respect to sales and property illustrates the role of state and local government. State constitutions exempt nonprofits. State statute drawn from legislation and common law encode exemption requirements. Common law defines charitable activity broadly, for example, religious, educational, or scientific, relieving the burden of government (Bowman & Fremont-Smith, 2006). State and federal law are parallel (Bowman & Fremont-Smith, 2006).

In sum, the following applies with respect to income tax, property tax, and sales tax:

1. State government follows federal determination of income tax exemption. Most nonprofits do not pay federal or state income tax.
2. Most nonprofits do not pay local property tax. In some places, hospitals and universities, for example, make payments in lieu of taxes.
3. Most bodies of state and local government do not require nonprofits to pay sales tax on purchases or sales tax on occasional sales. In the case of regular sales, nonprofits are required to collect and remit sales tax.

The degree to which exemption requirements are followed is not known. It would be difficult for state and local government to monitor, for example, every sale involving a nonprofit. The cost of enforcement would likely exceed the value of revenue generated by taxation.

Tax Treatment of Nonprofits

There are many ways to define charitable. One approach is to take into account the beneficiaries of nonprofit activity. When people are in need and services are delivered at no cost, this may signal a charitable purpose. In exchange, government does not require nonprofits to pay tax. However, not all nonprofits exclusively serve individuals of limited means. Nonprofit hospitals, universities, child care centers, recreation programs, and museums serve a range of individuals. This diversity is reflected in ever-evolving exemption criteria.

The federal definition of *charitable* in section 501(c)(3) suggests nonprofits engage in activities that provide a public benefit. This is one of the requirements to obtain federal income tax exemption. When an organization meets this test, the IRS issues a letter of determination. Once a determination is made, donors may deduct charitable contributions to the organization.

At the state and local level, nonprofits are not required to pay income tax or property tax (Bowman & Fremont-Smith, 2006; Brody & Cordes, 2006). State statute often alludes to a public benefit. Requirements for sales tax exemption are more complex. State and local government usually do not require nonprofits to pay sales tax on purchases (Bowman & Fremont-Smith, 2006). The presumption may be that a purchase supports a charitable activity, for example, program supplies or food purchased by a shelter. However, when a nonprofit is regularly (not occasionally) engaged in the sale of a taxable good or service, state and local governments require remittance of sales tax (Bowman & Fremont-Smith, 2006). To do otherwise would reduce sales tax revenue and increase administrative burden. This is a matter of treating all private organizations the same way, particularly when a good or service is provided by both nonprofit and for-profit entities.

To date, there is no single, uniform definition of *char itable.* Statute and regulation usually invoke more than one. The result is a patchwork of public policy and exemption practice (Borek, 2005). One reason for this may be the range of activities and organizations. Nonprofits deliver many different services including health, education, human services, and arts. This confounds development of a uniform definition of charitable. It makes it difficult to define and apply a single exemption criterion to every nonprofit.

The problem of defining charitable activity is likely to continue as the number of nonprofits grows. Between 1995 and 2005, nonprofits registered with the IRS increased 27%; during the same period, accounting for inflation, revenue reported by nonprofits increased nearly 54% (Wing et al., 2008). Rapid growth and the variation in nonprofit pursuits challenge government to precisely define charitable activity.

What Is Charitable?

Exemption requires nonprofits to fulfill a charitable purpose (Hopkins, 2009). However, the word *charitable* can mean many things (Harvard Law Review, 2001). This section explores three concepts central to exemption: (1) public benefit, (2) the nondistribution constraint, and (3) competition. Each rationale could, by itself or in combination, exempt an organization from taxation. In the final segment of this entry, these conceptualizations are applied to three different types of nonprofits. This will illustrate the degree to which exemption policy and practice match.

Public Benefit

Atkinson (1997) observes exemption rests on a normative description of activities considered charitable. Public benefit can be a property of a service. It can be a characteristic of a beneficiary. Nonprofits are expected to engage in activities that benefit the general public. To the extent services are available at no cost or low cost, this may indicate a charitable purpose. There is also an expectation nonprofits will serve people in need, particularly those not served by for-profit or public entities. Weisbrod (1977, 1988) suggests nonprofits arise to supply unmet demand; nonprofits offer services government and markets do not. In so doing, nonprofits reduce the burden of government. In exchange, nonprofits receive a tax subsidy (Simon, Dale, & Chisolm, 2006).

Subsidy

Law and regulation promote charitable activity with an indirect subsidy (Brody, 2002; Brody & Cordes, 2006; Simon et al., 2006). The connection between the public benefit charities provide and the tax subsidy government confers is tenuous. For Atkinson (1997), this is one part tax policy and one part politics.

Presumably, the social benefit nonprofits provide offsets forgone tax revenue. Steinberg and Bilodeau (1999) found studies that estimate the effect of tax exemption have yet to precisely measure the monetary tradeoff. At the federal level, Borek (2005) estimates that the value of forgone tax revenue associated with exemption of nonprofits and the charitable tax deduction for individuals exceeds federal social welfare spending. What is more, tax exemption does not guarantee nonprofits will serve those most in need. For Salamon (1999), there can be voluntary failure. To the extent this is the case, the value to government in lost revenue may indeed be greater than the burden relieved by nonprofits (Borek, 2005; Diamond, 2002).

Finally, with respect to the subsidy argument, nonprofits do not necessarily produce services government would otherwise provide (Steinberg & Bilodeau, 1999). While this may be true of services for individuals who have little money, are severely mentally ill, or have a developmental disability, it is unlikely government will supply, for example, all health care, child care, or recreation demanded by a market. Hospitals, nursing homes, child care programs, and museums engage in activities government does not.

Donations

To the extent a nonprofit relies on donations, its purpose may be charitable. Hall and Colombo (1992) assert tax exemption should be granted when both government and the marketplace fail to provide collective goods. One indication of such a failure is the extent to which an organization depends on donations (i.e., private contributions made by individuals, foundations, and corporations as well as public support provided by government). It is unlikely, Hall and Colombo reason, public support will equal the cost of services. Some services will be undercapitalized. This is a justification for exemption. Hall and Colombo propose when a nonprofit receives at least one third of its total revenue from donations, this indicates both government and market failure. Under these conditions, nonprofits are undercapitalized. This, then, is the threshold Hall and Colombo offer for charitable exemption: when one third of a nonprofit's revenue comes from donations.

Nondistribution Constraint

Another factor is the nondistribution constraint. There are no owners, shareholders, or individuals who benefit. In a nonprofit, any surplus or excess of revenue over expense is reinvested in the organization. There is no distribution of profit to owners or shareholders. Profit is used to fulfill a charitable purpose.

The nondistribution constraint emphasizes nonprofits are not primarily in the business of making money. The mission of a human service organization, for example, is not foremost to generate a surplus. It is to provide a human service (Steinberg, 2006). The 1894 federal income tax act did not regard religious, educational, or charitable organizations as entities primarily engaged in income-producing activities (Diamond, 2002; Scrivner, 1996). For this reason, these organizations were made exempt from federal income tax.

When ordinary contractual mechanisms fail, consumers may regard nonprofits as more trustworthy. The nondistribution constraint reassures consumers unable to judge quality that nonprofits are less likely to engage in opportunism. There is no (or less) profit motive. Where there is contract failure, consumers will regard nonprofits as more trustworthy (Hansmann, 1987a). Steinberg and Gray (1993) observe it would be difficult to measure contract failure. Where is contract failure most likely to occur? in the delivery of hospital care? child care? Are consumers able to judge the quality of these services?

Competition

Hansmann (1981) argues a public subsidy is justified when nonprofits are more efficient and effective than for-profits. Exemption, according to Hansmann, frees capital businesses have that charities lack. Hansmann (1981, 1987a) distinguishes between commercial and donative organizations. Commercial nonprofits depend on fees. Commercial activity should not be the primary focus (Harvard Law Review, 2001). Donative nonprofits are supported by contributions (e.g., private donations made by individuals, foundations, and corporations). Nonprofits that serve the general public (public charities) are considered social benefit or donative organizations (Hansmann, 1987a; Hoyt, 2001; Salamon, 1999). Nonprofits that serve members or entities that pay a fee for services are regarded as commercial (Hansmann, 1987a; Hoyt, 2001; Salamon, 1999).

Subsidizing commercial activity calls into question exemption assumptions that define a charitable purpose. Nonprofits supported by fees deliver a service in exchange for a fee. The general public does not, necessarily, benefit. The beneficiary is the recipient of a service. Fees supply a nonprofit's capital needs. When this is the case, Hansmann (1981, 1987a) advises nonprofits should not be subsidized.

Fees

The largest source of revenue for nonprofits is fees. Health care (Medicare, insurers, patients), education (tuition), human services (Medicaid, insurers, clients), and arts (admission, membership) organizations depend on fees. In 2005, 70% of all revenue generated by nonprofits was fee-for-service or payments (Wing et al., 2008). The proportion of total revenue derived from fees is rising. Private payments to social and legal services increased 80% between 1977 and 1997 (Weitzman, Jalandoni, Lamkin, & Pollak, 2002). In 1997, according to Independent Sector (Weitzman et al., 2002), 71% of social and legal service revenue came from payments made by public (52%) and private sources (18%).

As financial pressure mounts, it is likely nonprofits will engage in more commercial activity, blurring the boundary between nonprofit and for-profit (Weisbrod, 1997). In some cases, both nonprofits and for-profits provide services (e.g., hospitals, clinics, nursing homes, child care, and recreation; Salamon, 1999; Wing et al., 2008). This raises concerns about unfair competition. A tax subsidy gives nonprofits a competitive advantage. Direct competition with for-profits is addressed in state statute. Several court decisions involve industries where nonprofits depend on fees and directly compete with businesses.

Court cases involving hospitals and child care extend exemption criteria. While most general care hospitals are nonprofit, there are also for-profit and some public hospitals (Salamon, 1999). Hospitals depend, as do many health care organizations, on fees (Medicare, insurers, patients). In 1985, the Utah Supreme Court ruled hospitals must deliver community care (Sanders, 1995). The court established six exemption criteria including the extent to which an organization is supported by donations (Steinberg & Bilodeau, 1999). Another fee-based industry where tax exemption has been questioned is child care. A Minnesota Supreme Court decision concerning property taxation of a child care center took into account the surplus (excess of revenue over expense) produced by fees (*Under the Rainbow v. County of Goodhue*, 2007). The court ruled this profit could be taxed; the center should not receive a subsidy by way of exemption.

In light of the varied roles nonprofits play and increased dependence on fees, charitable activity is difficult to define (Weisbrod, 1998). Exemption rests on a normative definition. A subsidy is justified when an organization (1) provides a public benefit, (2) delivers a service that is not provided by for-profits or government, and (3) does not distribute a surplus (excess of revenue over expense or profit) to owners or shareholders (nondistribution constraint). When a nonprofit serves people in need and is supported by donations, there is less ambiguity about meeting exemption requirements. When a nonprofit depends on fees and competes with for-profit business, the degree to which exemption requirements are met is not as clear. When fees generate capital to support a commercial activity, this undermines the subsidy rationale; unfair competition becomes a concern.

A subsidy, or quid pro quo, arrangement allows government to choose which services lessen the public burden (Brody, 2002). In the next section, exemption criteria will be explored in the context of three different types of human services. Each depends on fees. Two services supported by Medicaid benefit individuals who are chronically ill: individuals with a severe mental illness or a developmental disability. This activity generates fees and offers a public benefit. The public benefit associated with a third human service is not as clear. The service is recreation. Beneficiaries are members who pay.

Exemption and Human Services

Human services are a good test of exemption requirements. This is a diverse subsector serving people in need—those who are poor, homeless, jobless, abused, ex-offenders, mentally ill, or have a developmental disability. The National Taxonomy of Exempt Entities (NTEE) also includes youth centers, clubs, scouts, camps, mentoring, and child care in this category.

About one in every three public charities delivers human services (Wing et al., 2008). In number, this is the largest subsector. Most organizations are small. Fees in 2005 accounted for 53% of total revenue; only health (88%) and education (56%) depend more on fees (Wing et al., 2008). Fees are paid by government and other third parties as well as clients themselves. About one third of all human services expense is associated with residential care (custodial, shelter) and one quarter is recreation (Wing et al., 2008).

Mental Illness and Developmental Disability

Health, education, and human services are often reimbursed at a fixed rate for a particular service. Government certifies eligibility. Agencies deliver services and are reimbursed. Nonprofit, for-profit, and some public agencies serve two distinct groups of beneficiaries: (1) individuals who have a severe mental illness or (2) a developmental disability. Severe mental illness can involve bipolar disorder, schizophrenia, or severe depression. Mental health services often include counseling and community support. A development disability can be autism, Down syndrome, or cerebral palsy. Residential and day treatment as well as respite and in-home care are among services delivered in the community and reimbursed primarily by Medicaid on a fee-for-service basis (Smith, 2006).

The transition from institutional to community care has been facilitated by Medicaid (Vladeck, 2003). Medicaid covers about 60% of the reimbursement rate. To receive the federal portion, state and local governments must appropriate, on average, a 40% match. As long as an individual qualifies, government pays providers to deliver services. An increase in the volume of service will increase the cost to government. From the perspective of providers, fee for service arrangements offer a financial incentive to deliver more services. From the perspective of government, fees can put government at risk when service volume increases (DeHoog & Salamon, 2002). Not all services are covered by Medicaid. For services that are, the fixed reimbursement rate may not cover the actual cost of delivering a particular service. The rate does not necessarily correlate with assessed need or with actual cost. Rate studies set reimbursement rates based on local market conditions. At the state and local level, political will and financial capacity to match the federal share have a lot to do with the availability of funds..

Mental health and developmental disability reimbursements follow a competition prescription (Kettl, 1993). Low rates probably discourage providers from overproduction. When the reimbursement rate does not cover the entire cost of a particular service or when a service is not covered by Medicaid, providers are left to find other ways to pay for it. In some cases, if there is no payer, agencies may not provide a service. To the extent agencies do not serve clients, this effectively rations a service.

How are exemption requirements relevant? Government has chosen two groups of beneficiaries—individuals with developmental disabilities and individuals with a severe mental illness. Arguably, both populations are in need. Since private organizations serve beneficiaries in the community—no longer are these services provided in government-run institutions—the public sector is relieved of the burden of service delivery. So far, it appears organizations that serve these two groups provide services that are in keeping with exemption requirements. What about fees? Do nonprofits have an unfair competitive advantage?

This may be a commercial activity (Hansmann, 1987a; Hoyt, 2001; Salamon, 1999). Reimbursement rates are based on market conditions. This is not a donation. It is a payment made by a third party, in this case government, in exchange for a service. What is more, nonprofit, for-profit, and public organizations deliver services. There may be competition. In 2001, of all Medicaid spending for mental health, 63% went to nonprofits, 26% went to for-profits, and 11% went to public organizations (Bowman & Fremont-Smith, 2006). Nonprofits predominate in delivery of mental health and developmental disability services. However, for-profits are more likely to provide, for example, home care for individuals with developmental disabilities. With respect to this particular service, tax exemption affords nonprofits a competitive advantage. If a nonprofit was required to remit income, property, and/or sales tax to the extent it relies on fees paid by government, presumably this would be the source of the tax.

Recreation

Recreation is another human service that addresses a range of needs. Mentoring programs (Big Brothers Big Sisters) and recreation programs (Boys and Girls Clubs, some Young Men's Christian Associations [YMCAs]) target children in low-income neighborhoods. YMCAs use a sliding-fee scale for membership based on ability to pay. Child care and youth groups including sports clubs and camps are available to anyone who can pay the fee. Unlike developmental disability and mental health, clients rather than government are the primary source of fees. Most recreation is delivered by nonprofits but there are private health clubs and public recreation centers. Dependence on fees and competition could be relevant to determination of tax exempt status.

In 1844, the YMCA began in London. Young men arrived in the city to assume jobs generated by the Industrial Revolution. They lived in tenements and slept over shop floors. One of these young men, George Williams, wanted to provide a safe alternative to the streets. He started a Bible study group. The YMCA began as an evangelical organization open to all Christians.

By the late 1800s, new YMCAs opened across the United States. Each city with a new facility took pride in a series of firsts including the first gymnasium and the first swimming pool. There were hotel-like rooms; rental income became an important source of revenue. Over time, lay volunteers were replaced by paid professionals. By the end of World War II, most YMCAs had begun to admit women. Today, membership is by far the largest source of support.

Earned income is invested in facilities and programs. YMCAs use membership fees to build new facilities (branches) and offer more services. Gymnasiums and pools are expensive. Membership fees cover the cost of new construction as well as the cost of improving existing facilities. With many members, fitness equipment wears out and must be replaced. Fees paid by members also cover the cost of youth services that are free to the community (e.g., afterschool, summer camp, and learn-to-swim programs). Many YMCAs also offer child care and subsidize fees for families of limited means.

The benefits of YMCA services may extend beyond members. Early learning, afterschool programs, summer camp, and fitness centers can contribute to the quality of life in a community. These activities suggest the YMCA has a social purpose. It is not only in the business of making money.

YMCA services may reduce the burden of government. For local government, youth programs may reduce the burden of recreation center expense. To the extent child care and afterschool programs help students do well in school, this could reduce resources the public schools must invest in readiness and learning. Finally, members who participate in fitness programs are less likely to require health care intervention.

So far, it appears YMCAs should qualify for tax exemption. However, for-profit health clubs argue that the tax subsidy YMCAs receive gives these nonprofits an unfair advantage. Nonprofits and for-profits operate in the same market under the same conditions. YMCAs have a financial advantage—not having to pay income, property, or sales tax. The effect of this tax subsidy could put YMCAs in a more profitable position vis-à-vis for-profit health clubs. This may also be true with respect to the delivery of child care, health care, and other services.

With respect to fees—whether private (YMCA memberships) or public (Medicaid)—the tax subsidy that exempt organizations receive from government does not necessarily produce a level playing field. To the degree nonprofits serve individuals who are poor or disadvantaged due to a chronic illness (e.g., severe mental illness or developmental disability), this could mitigate the inequality. The YMCA is prohibited from distributing any profit; surplus must be reinvested in the organization. Even so, a normative definition of charitable activity does not fare well when services depend on fees, do not benefit the general public, and/or do not relieve the burden of government. Since fees are a central resource, this question remains.

Summary

Nonprofits do not pay income tax, property tax, or sales tax on purchases. When organizations meet a normative definition of charitable, government provides a tax subsidy. Taxation of nonprofits involves federal, state, and local governments. State government follows the federal determination of income tax exemption. Most nonprofits are not required to pay local property tax. State and local governments do not require payment of tax on purchases, but nonprofits must remit tax on regular sales.

There are many ways to define charitable. One approach is to take into account the beneficiaries of nonprofit activity. Another is to examine the service(s) delivered. When people who are in need are served at no cost, this could relieve the burden of government. This is a fairly straightforward proposition when an organization relies on donations, but what about fees? Health, education, human service, and arts organizations depend on fees.

Whether payment is made by government or private sources, subsidizing commercial activity calls into question the exemption assumptions that define a charitable purpose. Nonprofits supported by fees deliver a service in exchange for a fee. The general public does not necessarily benefit. The beneficiary is the service recipient. Fees supply a nonprofit's capital needs. Where this is the case, should nonprofits be tax-exempt? receive a subsidy? Given the range of nonprofit activity and dependence on fees, it is likely the definition of charitable and associated exemption requirements will continue to evolve.

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65

Nonprofit Organization Life Cycles

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Many internal and external factors influence how nonprofit organizations develop and change over time. Some nonprofits ultimately emerge as effective and sustainable organizations while others do not survive beyond initial start-up efforts. A nonprofit organization life cycle model provides a way to understand and shape nonprofit organization evolution, regardless of the mission or programs. Just as humans follow a predictable pattern of development, nonprofit organizations progress through a series of stages as illustrated in the following fictive "Mainstreet Theater" scenario:

> In 1987, a once vibrant art deco design theatre changed ownership and was slated to begin showing adult themed movies. Located in the downtown section of a small older city, the Mainstreet Theater became the catalyst for community action. Informal conversations and chance meetings brought neighbors and local business owners together to eventually purchase and renovate the theater for community use. In the first year, the group filed paperwork to become a nonprofit entity in the state of Florida and to receive recognition as a 501(c)(3) tax exempt organization by the IRS and held a successful star studded fundraising event. The new nonprofit organization submitted grant proposals for foundation and government funding including the U.S. Department of Housing and Urban Development's downtown revitalization program. The active and visible agenda to restore the theater energized residents and local supporters of the arts. In less than a year, volunteers saw that the building was purchased, renovation begun and a summer children's program initiated.
>
> Then at a strategic planning session billed to take the Mainstreet Theater "to the next level" conflict emerged! Was the theater going be an art film house, a community theater, a company playhouse, or just a location for other contracted programming? The supporters and their motivations were split. Months of meetings, information gathering and choosing sides followed. Finally, the much loved mayor of the community stepped in to mediate. A community playhouse, with a special emphasis on children's afterschool and summer programming was the result. Not everyone was happy with the vision, but all participants felt involved in the process and, for the most part, remained supportive.
>
> Over the next decade or so, staff was hired, two plays a year were produced using volunteer actors with their openings serving as major fundraisers, and the children's programming initiated was well received attracting interns from around the country. After 8 years successful years, the theater's first executive director retired. The board of directors selected a new executive director after a national search process. The new executive revived the idea of a resident theater company, splitting the board of directors and crippling the theater's programs. By 2000, the Mainstreet Theater was in debt and struggling to survive. After consulting with area arts experts and key funders, the board fired the executive but agreed to support the creation of a new nonprofit, The Children's Theatre Group, which would lease the Mainstreet Theater for professional company produced plays, actor workshops and children's programming. The Mainstreet Theater board would continue responsibility for the historic building, which would still be available for use by other nonprofits and community groups. Today, the Children's Theatre Group continues to be successful, and the Mainstreet Theater is a busy community treasure. (Example created by Norris Tirrell)

While some of the painful details have been left out of this short scenario, the "Mainstreet Theater" is an almost perfect example of a nonprofit organization that moved clearly through the stages of the nonprofit organization life cycle, approached death, and has been revitalized. The life cycle model offers nonprofit decision makers practical insights for planning and for diagnosing their organization's needs, particularly those related to leadership recruitment and development. This chapter begins with an overview of a nonprofit organization life cycle model and its stages. The next section examines the roles and responsibilities of volunteer leaders important at each stage and then discusses strategies for using this knowledge for recruitment and development.

The Nonprofit Organization Life Cycle

The concept of a nonprofit organization life cycle builds on research suggesting that organizations tend to move through humanlike stages of development (Stevens, 2003). These stages include conception or formation where the idea of an organization emerges and takes root, puberty and growth where the organization's stakeholders struggle with developing priorities and internal coordination, adulthood and mastery of the organization's internal and external environments, and finally, old age where choices are made regarding revitalization, atrophy, survival on the margin, or death. The organization life cycle research is part of a larger research theme of organization ecology. Focused mainly on commercial organizations, this research, using a selection and adaptation or environmental vulnerability lens, examines when and why new organizations form and die (see Adizes, 1988; Carroll & Hannan, 2000; Kimberly & Miles, 1980).

The stages of the nonprofit organization life cycle follow an expected pattern, with each stage shaping structure, processes, and outcomes. At each stage, organization leaders face a new set of challenges and opportunities. How the organization weathers the challenges of each stage and transitions from one stage to the next greatly influences the potential for overall success. Importantly, the tactics that produce success in one stage can create frustration and failure in the next.

The nonprofit organization life cycle model is a tool for diagnosing and reframing problems as predictable for a particular stage. Rather than blaming others, the model allows organization leaders to step back and compare their organizations to a prototype facing common challenges at each life cycle stage—to realize that other nonprofit organizations have faced the same issues and transitioned successfully to the next stage. Using the model, nonprofit decision makers can set realistic expectations for behavior and take action to avoid common stage specific pitfalls.

Figure 65.1 represents the "ideal" progression allowing the organization to fully develop as it moves from one stage to the next. In reality, the stages do not necessarily follow this pattern. Organizations can easily repeat stages or experience them out of order. Ending or dissolution can come during the growth stage, before the organization has reached a point that might produce the best success story. Also, not easily seen in the figure is the ongoing influence of the organization's context, particularly the political, social, and economic dynamics that continually shape decision making and implementation. In addition, life cycle stages are not determined by organizational size or age. An older, larger nonprofit can be vibrant and innovative or stagnating and in decline.

The nonprofit life cycle model is intended to be diagnostic, not deterministic. While the indicators in each stage represent common patterns of behaviors and challenges, they are not cast in stone. Each nonprofit organization evolves on its own unique and dynamic path. An overview of each life cycle stage is presented next.

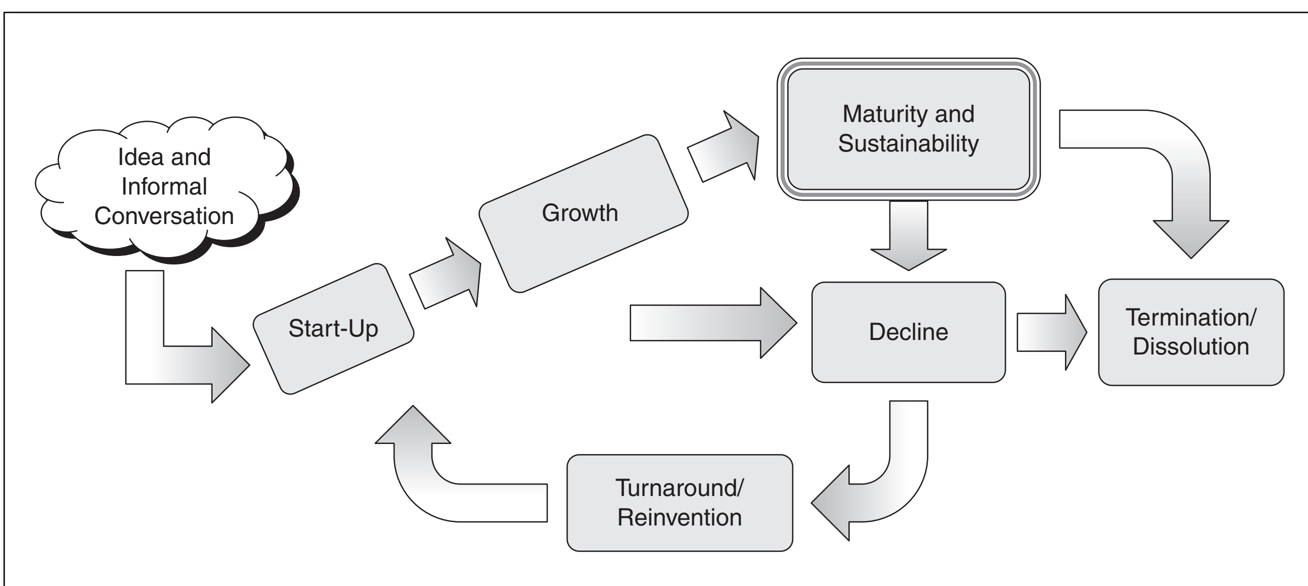

Figure 65.1 Nonprofit Organization Life Cycle Model

Stage 1: Idea and Exploration

In this initial stage, individuals and groups come together around an interest or identified gap. Sometimes one socially minded entrepreneur is the genesis. For example, Mothers Against Drunk Driving was formed by one mother in response to the tragedy of her child's death by a drunk driver. Although some nonprofits are started by government agencies, private firms, or other nonprofit organizations, most nonprofits are the result of great ideas formulated by individuals brought together by shared concern for particular problems or issues. This stage is typically idea focused and evolves through the work of high energy, passionate volunteers.

The founding group formally and informally examines the potential role of a new nonprofit organization. Their time and energy is spent gathering information (such as a market analysis to determine existing nonprofit, for-profit, and government organizations that have similar interests), brainstorming, and developing a broadening set of supporters.

Stage 2: Start-Up and Formation

Once the decision is made to form a new nonprofit organization, the organizers bring together a founding board of directors to create the initial organization mission and purposes. Paperwork, including articles of incorporation and bylaws, must be completed for chartering at the state level and Internal Revenue Service (IRS) recognition as a nonprofit organization (see Publication 557: "Tax Exempt Status for Your Organization" at IRS.gov). States and localities may have other requirements to be addressed prior to beginning operations, which includes hiring staff and implementing fundraising strategies (see your state government webpage for requirements). The formation stage focuses on the creation and approval of the organization's operational structure for governance and decision making, developing initial goals and action steps, and beginning implementation.

Stage 3: Growth and Formalization

In the growth stage, planning and priority setting continue to be emphasized while operational processes are formalized and routinized. Common at this stage is the introduction of new staff and volunteer leaders, either due to an increase in size of the governing body, original participants choosing to step out, or the recruitment of new members. The board of directors begins to diversify and decentralize—potentially moving the organization's priorities away from the originating leader or group's focus. Often, staff is hired at this point because the board realizes the organization cannot reach its goals with volunteers alone. As a result, this stage can be difficult, filled with frustration and unrealized opportunity as the organization appears to be inefficient in rehashing priorities and processes. Just as an adolescent tests boundaries and struggles to identify "what he or she will be when he or she grows up," the nonprofit organization at this stage is verifying its vision, mission, and priorities. If the struggle is not used to advance the organization, failure can result. Many nonprofits dissolve at this point because they cannot find goals and priorities that unite leaders. Others fail because their charismatic leader leaves, and the group has not formed an identity apart from that leader. However, the nonprofits that successfully navigate these pitfalls to establish priorities and operating structures or systems are poised to move to the next stage.

Stage 4: Maturity and Sustainability

The maturity stage is the ideal state of development for any organization. Nonprofit organizations have mastered their environment, found their niche, and are secure in their future existence. They nurture an innovative organizational culture and are respected in their field. As this stage is reached, resources including funding, staffing, and volunteers are diversified and stable while strategies are in place for ongoing planning, evaluation, and quality improvement. Reflecting a healthy and effective nonprofit providing high quality services, organization and program level outcomes are shared with stakeholders and organization purposes assessed and revised with a focus on the future.

Stage 5: Decline

This beginning point of this stage is hard to definitively identify. In the decline stage, the nonprofit has lost its core and energy. Activity and output rather than outcomes and impacts have become the focus. External cues are ignored, and lost is the tenuous balance between "mission and market." Staff is in conflict and morale is low. The organization may now exist in "name only" or on the margin with client or participant numbers decreasing, meeting attendance dropping, leader recruitment difficult, and resources uncertain and constrained. The emphasis of organization decision making is survival with a status quo vision. When faced with a crisis such as creditors demanding money or the board and staff in mutiny, intentional choices must be made about revitalization, atrophy, survival on the margin, or dissolution.

Stage 6: Turnaround/Reinvention

Examples of organizational renewal or turnaround abound. Decisive action is required to move the organization back to viability. This stage often requires the recruitment of new volunteer leaders and hiring of new staff in order to effectively initiate processes for examining and revising the mission, restructuring the organization, and ultimately returning the organization to an earlier life cycle stage. If renewal is not successful, the decision to dissolve the organization remains an option.

Stage 7: Termination/Dissolution

The final stage of the nonprofit organization's life cycle is the least studied and rarest. While for-profit businesses file for bankruptcy at a predictable rate, nonprofits are more likely to end or dissolve because (1) the organization has successfully resolved the problem or issue that it was formed to address or (2) participant stakeholders determine that the current organizational effort has gone as far as it can go. The latter may be the result of bankruptcy, although rare for a nonprofit organization. Often before bankruptcy, the nonprofit goes "underground" with a small board and a savings account waiting for the opportunity to reemerge. The second rationale may lead to merger or acquisition allowing the nonprofit's mission to continue in a different form. Regardless of what produces dissolution, nonprofit leaders should carefully distribute the organization's assets (typically to a like nonprofit organization) as spelled out in their bylaws and recognize individual effort and share the organization's results broadly.

Using the Life Cycle Model for Leader Recruitment and Development

Each life cycle stage calls for decision makers with a particular set of knowledge and skills. By nature and experience, individuals tend to enjoy taking certain roles more than others. This section identifies the volunteer board member's role at each stage of the nonprofit organization life cycle and then discusses the importance of board member recruitment and development. Table 65.1 summarizes the key board member roles at each stage.

Stage	*Challenges*	*Key Board Roles*
The idea	• Converting ideas to action • Mobilizing support	• Maintain commitment to the cause • Understand the market • Follow through
Start-up	• Saying no to extraneous opportunities • Burn out • Excess homogeneity	• Heavily focus on implementation • Set boundaries and priorities • Sustain energy and creativity
Growth	• Competing visions • Demand exceeding capacity • Defining role of board vs. staff	• Continue process orientation • Develop structures, systems and procedures, delegating to staff appropriately • Exercise good judgment
Maturity	• Pitfalls of bureaucratic thinking • Balancing growth vs. stability	• Revisit mission • Scan environment from a futurist focus • Assure resiliency • Build bench
Decline	• Constrained resources • Flagging morale • Protection of status quo	• Risk moving beyond status quo • Stay honest and open in perspective • Be willing to bring in outside views
Reinvention	• Crisis-point mentality	• Use problem-solving orientation • Stay committed to the cause • Restore credibility for key stakeholders
Dissolution	• High emotion	• Plan appropriately/seek expert help as needed • Celebrate • Attend to final tasks: archiving, handling assets, and informing stakeholders

Table 65.1 Life Cycle Stage and Board Roles

The Idea Stage

In the "Mainstreet Theater" scenario offered at the beginning of this chapter, initial leaders came to the table out of personal concern for their community. They were willing to invest their time, expertise, and dollars to solve a problem. The founding group identified a problem and moved quickly to explore a range of solutions ultimately determining that a nonprofit organization could be a useful structure for short- and longer-term goals.

At the idea stage, leaders are challenged to convert their great ideas to actions that can be implemented and to generate the support of others, including potential board members, funding sources, and clients. Since the individuals at the table at the exploration stage cultivated the idea, their commitment is generally very strong. However, as time goes on and action is slow, commitment may wane. Turning great ideas into implementation plans and then successfully taking action requires not only hard work but also expertise often at a level related to the organization's mission.

In addition, the initial first leaders should have an understanding of the new nonprofit organization's competitive market. How many like organizations already exist? Who are local foundations and governments currently funding for this type of work? What is the competition for discretionary spending? The list of potential questions is endless to analyze the potential for success and avoid entering a market that is already overrun with nonprofit organizations competing for resources and volunteers. At this stage, leaders who understand the industry and the market and can also articulate options clearly and in a nonthreatening manner so that a good decision about moving forward (or not) can be made are vital. Sometimes, a good first step for a group with a great idea is to work with an existing nonprofit organization to begin the program. The existing nonprofit can serve as fiscal agent and accept tax deductible donations allowing the newly forming group to test their ideas and develop a base of support prior to beginning the formal organization creation processes. Once the decision is made to move forward, the ability to follow through on obligations and accomplish tasks in a timely way is essential to build and mobilize a team of volunteers and supporters crucial to the next stages.

The Start-Up Stage

At this stage, the founding group becomes the official board of directors with sole decision-making authority and operational responsibility for the new organization. The board members' personal interests or connections to the organization's mission continue to be the focal driver for processes. In the "Mainstreet Theater" scenario, the founding board of directors identified the purchase of the property and building as its first goal, at the same time recognizing that to garner private and corporate donations and to be eligible for possible grant funding, a nonprofit charter from the state and IRS 501(c)(3) recognition were crucial. The group began the tasks of incorporation while planning initial fundraising efforts.

The start-up stage typically brings a long checklist of tasks to complete including filing paperwork, obtaining start-up resources, establishing budgets and bookkeeping systems, and beginning program implementation. Highly motivated board members and other volunteers are needed who will roll up their shirt sleeves and tackle whatever needs to be done. The focus is a strong emotional commitment or passion (and possible zealousness) for the cause. It also brings many new and unplanned opportunities as people and groups discover the new nonprofit organization. The newness of the effort makes it hard to say no and risk the chance of missing out on resources, visibility, or political support. Leaders are needed who can maintain an implementation or "get it done" focus while setting boundaries and priorities. This will allow the group to know when to say yes to the new opportunities that advance the organization's mission and when to say no to the extraneous ones. All too quickly, a highly motivated group can experience feelings of chaos and crisis in the face of few resources and long hours resulting in burn out, even if it is committed to the mission.

Another challenge at this stage is homogeneity of the founding group. Because these individuals tend to be very alike in their experiences and thinking, the founding group may overlook stakeholders, resources, and strategies important to the organization's success. At this stage of the newly forming nonprofit, high energy and creative leaders should encourage exploration of multiple opportunities, bringing new and diverse perspectives to the table, and steady, appropriate progress. Successfully moving forward calls for leaders who can get things done while preserving the enthusiasm and "we can do anything" attitude of the founding group.

The Growth Stage

The growth stage is clearly seen in the "Mainstreet Theater" scenario. Once the initial goal of purchasing the building neared completion, planning was needed for the next steps. The initial strategic planning efforts that resulted in competing visions and desires for the building while painful for those involved was a critical step in developing consensus about the theater's role and building legitimacy for the group in the local, regional, state, and national communities. The process that followed was intentionally inclusive and deliberate, ultimately enlarging financial and community support for the theater. Hiring executive staff that appreciated the process was also the key to setting the groundwork for success.

The biggest roles for board members at the growth stage are to value process and maintain a focus on the organization's mission. The volunteer leaders may begin to feel that they are spending too much time on "administrivia" moving the organization to hire staff. As the board member pool expands, new members are often recruited to bring particular professional expertise to the organization, such as accounting and financial management, real estate, law, and marketing. As new board members join the group and staff is hired, different visions for the nonprofit are likely to emerge. Handling the conflict and tension that is natural to this stage so that creativity is nurtured and personal feelings spared requires leaders to understand the importance of an authentic process orientation. While failure is not uncommon at this stage, handled skillfully, the nonprofit organization can emerge ready to build a successful future. Planning processes define the organization's mission and programming niche that should create a strategic focus for the organization.

Potential demand for taking on new organizational programs continues at this stage while structural and resource capacity for implementation is limited. Nonprofit leaders must appreciate the possibilities that would come with a new direction while exercising good judgment. Leaders must keep their eyes on the mission and vision in assessing suitability for new programs and strategies.

Also, as the organization chart is developed and staff is hired, board members must relinquish the hands-on role that is now delegated to paid personnel and take on new roles. Since much of the focus at this stage is the creation of more sophisticated operational structures, systems, and procedures, determining and clarifying staff versus board roles and responsibilities can be a natural part of the process. Care should be taken to avoid duplication of roles and responsibilities. For example, a nonprofit does not need to hire a professional fundraising staff member charged with a broad range of resource development goals and at the same time appoint a board level committee on fundraising strategy without carefully considering how to avoid overlapping expectations. Some staff and board members may become frustrated with what they view as a bureaucratic approach to formalizing roles. However, clearly delineating responsibilities will result in increased goal achievement and more enjoyable processes to get there. As the board moves from being a support group to accepting responsibility for the organization, its focus is no longer technical expertise and activity coordination but on making informed decisions in an expeditious manner. While actions tend to be more reactive than strategic, this stage needs leaders who are comfortable with changing ideas, appreciative of structures and systems, and able to exercise good judgment to know what opportunities to pursue thus laying the foundation for transitioning to the next stage where governance is the focus.

The Maturity Stage

The "Mainstreet Theater" scenario built into a mature and sustainable nonprofit organization. It strategically involved hundreds of volunteers in restoration, community theater programming, and fundraising. It became a key actor in the community and a site sought after for events throughout the region. This did not happen overnight. It required shared leadership by the board of directors and the executive and constant attention to various stakeholder needs.

When the nonprofit reaches this stage of optimal organizational functioning, the temptation is to rest on its laurels. Increased board size and diversity is common as are systems that allow for board development focused on the role of future vision, accountability, and policy governance. Everything is working well, so why change anything. However, challenges remain that require leadership attention. Too often, what's working takes on a life of its own, leading to the creating of systems and procedures that may preclude change. This tendency for stability is natural but must be balanced with opportunities for growth and change that are required to maintain the organization's vibrancy. The negative implications of these bureaucratic characteristics include a growing overemphasis on rules and procedures, closed decision-making processes, and an emphasis on efficiency. Leaders must measure success against the organization's mission rather than artificial ratios. This stage also requires leaders who continually scan the organization's environment for pertinent information including trends, professional advances, policy changes, and public perception related to the organization's mission and programs—with the understanding that the nonprofit must maintain an "edge" cycling programs in and out based on relevancy and efficacy. To ensure the organization's resilience and prepare an uncertain future, leaders should examine strategies to enhance financial security, such as a diversification of revenue sources, development of a "rainy day" cash reserve, and the creation of an endowment fund.

A final task for leaders at this stage is the development of strategies for developing the organization's next leaders, both staff and volunteer. With a focus on staff, the board may consider an explicit career development plan that identifies employees with potential and invests in their training in preparation for executive level positions. At the same time, the board should be concerned with a leadership path for volunteer leaders. Each nonprofit has a different norm for how leaders are introduced to the organization. Some nonprofits require leaders to have first volunteered at the program or committee level, moving then to a coordinator or chair role before coming to the board of directors. Others have a nominating committee that interviews and orients potential board members before asking them to serve. Whatever strategy is used, leadership sustainability requires intentional planning and ongoing board development through venues such as retreats, readings, short training sessions, and ongoing role modeling by current leaders. Balancing future opportunities with the organization's ongoing sustainability is a hallmark of the mature nonprofit organization.

The Decline Stage

In the "Mainstreet Theater" scenario, the decline stage was a surprise. Although the board of directors knew a year in advance that the executive would be retiring and conducted a national search for her replacement, the group was not prepared for the dissonance in organization visions that resulted quickly after the transition. In the short run, the board members kept their heads in the sand hoping the problem would resolve itself and ignoring the many individuals and groups who were either withdrawing their participation and support or challenging the change in policies. The "wait it out" strategy led to an organization facing debt. When board members started resigning in protest, the remaining leaders called in past leaders and supporters to plan for next steps.

No nonprofit organization enters the decline stage willingly. Instead, denial is more typical. While certainly noticing that resources are growing more constrained, key leaders have left, and the morale of staff and volunteers is flagging, leaders often have explanations for these issues and seek strategies for protecting the status quo awaiting everything to return to the previous state, regardless of how successful it was. For example, at this stage many nonprofits are tempted to spend organizational reserves to meet operating budgets allowing denial about the severity of the problems to continue. This urge should be resisted until options for the organization's future are clarified.

The task for leaders then is to step out of that status quo and to think creatively. This requires a certain amount of risk because other board members and staff are going to continue to resist. The opportunity for open and honest dialogue must be created so that everyone has the same information and as much as possible comes to see the same reality. A common need at this stage is to bring in an outside perspective to assist in this process and make appropriate decisions about the next steps of reinvention or dissolution. The outside perspective can be a consultant or evaluator, expert speaker, focus group, visits to model organizations, or a conference. Intentional action is required by leaders to move the organization toward reinvention or dissolution.

The Reinvention Stage

Turnaround for the "Mainstreet Theater" started with financial crisis and ended with a reenvisioned future for the nonprofit organization. The process began with bringing an inclusive group, including past leaders, arts professionals, and funders, to the table to explore the possible futures for the theater. The group gathered information, sought expert advice, and focused on trends to develop the new organization priorities. While the nonprofit mission did not change, the implementation strategies were drastically changed as the board determined its priorities to be the maintenance of the historic building and the use of a Request for Proposal (RFP) process to invite other nonprofits to use the space for children and community programming. The result to date is a vibrant organization using its assets to support the community.

The precursor for this stage is the organization's reaching point of crisis. Leaving this crisis mind-set behind and allowing the organization to move forward with implementation of necessary processes is essential. Often this stage brings new volunteer and staff leadership to the table. Whether new or continuing, leaders must bring a commitment to the mission, the capacity for frank and confrontation dialogue, and the capacity to rethink everything about the organization including major restructuring of management, operations, and finances. Emphasizing a problem-solving orientation, leaders should openly consider all options for moving forward, collecting data, weighing the costs and benefits, and making decisions in the best interests of the clients and the community at large. Throughout the reinvention stage, leaders should work to restore credibility with important stakeholders, such as funders, political and community officials, and corporate executives. This end of this stage is typically a return to late start-up or early growth stage: positioned for positive life cycle progress.

The Dissolution Stage

Whether the result of bankruptcy, merger, or a long, slow decline, the dissolution stage is a highly emotional and difficult point in the nonprofit organization life cycle. Often, months and sometimes years have led up to the decision to end or dissolve the organization. The tasks are simple at this stage: Plan to terminate the organization's operations in accordance with the bylaws and state law. The leader's job is to ensure that these things, including the disbursement of organization assets, happen appropriately and with honor. To ensure that legal and ethical issues are addressed, outside expertise may be useful. Regardless of the reason for dissolution, leaders should take the opportunity to celebrate the results of the organization, inform all stakeholders including clients and funders, and archive the lessons learned from the organization's work. While closing up the organization is difficult and thankless work, the accomplishments of the organization may be important to the history of a given locality. Websites and public or higher education institution libraries are common repositories for historic artifacts and final documents about the organization. The final stage of the nonprofit organization life cycle brings closure to the work and accomplishments of many board members, staff, and volunteers.

Special Circumstances in the Nonprofit Organization Life Cycle

Two circumstances require discussion when thinking about a nonprofit life cycle: (1) the possibility of *founder's syndrome* and (2) the impact of mergers. Both influence organization life cycles in important and unavoidable ways.

As noted earlier, a nonprofit organization can be founded by a visionary individual with a calling for the mission. Founders often have the characteristics of entrepreneurs: high energy, self-determination, urgency. As the organization is formed, its work is intimately intertwined with the founder's vision. Her or his legacy can and should be great; however, without careful management, a founder can paralyze and eventually strangle the organization's capacity for mission achievement. No matter how long the founder remains active with the organization, she or he is inextricably linked. Individuals who become involved with a nonprofit organization led by a charismatic founder should carefully consider how and when this leader will separate from the organization. The start-up stage and growth stage bring pressures for the founder to question his or her future role. As the board of directors is expanded and staff is hired, the future of the organization requires real and symbolic "transference of sole organizational ownership" so that shared ownership and interdependence result (Stevens, 2002, p. 80). This type of succession planning is more common in the for-profit corporate world but has an important role in the nonprofit organization.

Dissolution is a common task for nonprofit organizations that merge. Questions include, which organization will give its charter, or will both organizations officially dissolve and obtain a new charter. If only one organization relinquishes its charter, care should be taken in creating processes that integrate the mission, programs, board members, staff, and volunteers of the merging organization into the existing organization. The organization that results is in many ways a new organization, returning to the start-up stage at least for a short time period. Experts including lawyers and estate planners may be very useful for ensuring that the important details are addressed. Organizational experts may be useful in bridging two organizational cultures and merging staff and volunteers. The board members' role in this type of situation is to make sure that the newly merged organization has the resources necessary to succeed and that processes are in place to build a strong infrastructure, begin planning processes to develop shared priorities, and assure stakeholders that the merged organization is on track for success.

Board Recruitment and Development

Understanding the nonprofit organization life cycle allows nominating committees and other leaders to be more aware of the knowledge and skills appropriate at each stage so that they can recruit prospective board members to match their organization's stage of development. Each nonprofit has unique circumstances and characteristics that define its life cycle. The following bullets identify some common leadership attributes and skills needed at each life cycle stage:

- Early stages need individuals who feel rewarded by sharing creativity and enthusiasm while building a sense of belonging.
- The start up and growth stages provide many opportunities for getting things done thus producing a great feeling of accomplishment.
- The growth stage can bring tension and conflict requiring individuals who do possess the skills to mediate this environment and the temperament to tolerate changing emotions and priorities.
- The maturity stage focuses on stability, so individuals who like "rocking the boat" are often not tolerated; on the other hand, leaders are needed who can present a strong and appropriate rationale for rethinking and change as warranted.
- Reinvention is a sort of revolution, so the leaders are needed who bring passion for the cause and thinking outside of the box even in the face of others who "love" the status quo.
- At the dissolution stage, new members are not typically brought on to the board although training new or existing board members regarding responsibilities at this stage continues to be very important.

While a leader with an ideal set of attributes and skills may allow the nonprofit organization to efficaciously move through each life cycle stage and transition to the next, board member recruitment opportunities may not parallel the organization's evolution. Board member terms of office are determined by the organization's bylaws rather than organization transition points. The continuity that a stable board of directors brings is also important to a nonprofit organization. So in addition to recruiting new board members who may bring desirable stage-specific knowledge and expertise, offering training and development opportunities to current board members is an important tactic to ensure that nonprofit leaders have the knowledge and skills needed at a given life cycle stage. Board assessment is a first step determining training and development needs. Regular self-assessment by board members provides baseline information and helps identify transition points. Training and development include a wide range of tactics such as the following:

- *Retreats.* Ranging in length from a half day to several days, retreats provide leaders with the time away from day to day obligations to explore issues and opportunities. Deliberate planning is needed to ensure that time is used efficiently and that desired outcomes are achieved. A consultant or facilitator is often useful to keep the group on task.

- *Board orientation sessions.* When new board members join, an orientation meeting is an excellent time to go over the nonprofit's mission, goals, structure, programs, and procedures for how the board operates. This includes board member roles and responsibilities. It is often useful for all board members to attend the orientation annually providing the opportunity for shared understanding of organization mission, vision, priorities, and current status.
- *Strategic planning processes.* Many organizations have 3 , 5 , or 10 year plans. These processes are often extensive and involve as many stakeholders as possible. A regular review and update of the plan is an excellent opportunity for board members to learn more about current organization strengths and weaknesses and to plan how they fit in the organization's future.
- *Short trainings.* Many boards use 10 to 15 minutes at each board meeting to reinforce the board member skills and responsibilities. These trainings should target the needs of the board member's needs at each life cycle stage and can range in focus from consensus decision making strategies to how to read the organization's financial documents or using the organization's board member section of the webpage.
- *Expert speakers.* Bringing outside speakers to talk with the board about the latest research related to the organization's mission or proposed local, state, or federal legislation that may impact the organization or its clients can be useful at all organization life cycle stages. Research centers, university professors, government officials, foundation program officers, and legislators can be useful in connecting the organization to the bigger picture.
- *Site visits.* Visiting model or high performing organizations can provide leaders with information about options for their organization and new perspective.
- *Conferences.* Conferences sponsored by professional associations or discipline based societies can be an incredible source of information and opportunity for learning about trends, research findings, successful programming, and operational strategies that can move the organization to the next level.

The transition from one life cycle stage to the next is an important point for assessment and training and development opportunities. Investing in the nonprofit organization's leaders is a simple strategy to encourage new thinking and acting essential to organizational success.

Future Directions

In addition to the internal factors, such as leadership changes that more predictably shape the life cycle evolution of a nonprofit, external factors increasingly have a significant influence. With every economic downturn, the number of nonprofit organization mergers and bankruptcies increases. As foundations and affiliated funders like the United Way look carefully at the resources available and the number of nonprofits serving similar needs in a community, they often encourage formal and information collaboration with a goal toward organizational merger. This reduces the number of nonprofits competing for the same dollars and often increases the scope and depth of services provided to a particular service population. Changes in the availability of government funding or the priorities of foundations also impact the viability of nonprofit organizations. While diversifying the organization's financial base is the easy answer, the results for the nonprofit sector are more complex as more nonprofits are considering social enterprise options and developing new funding sources, such as the low-profit limited liability company (L3C) status. The L3C is a hybrid legal structure that allows profit to be generated for socially beneficial goals. Revenue diversification is more difficult for some types of nonprofits, particularly grassroots organizations with a single focus mission.

Another source of uncertainty is produced by disaster situations including weather-related events, such as Hurricane Katrina. Preparedness for these unanticipated events requires leaders to think through a wide range of issues related to communication, risk management, information systems, and human resources. While planning cannot address every situation, preparation improves the organization's resiliency and overall capacity.

Financial and other vulnerabilities regardless of their causes are an important driver in how nonprofit organizations transition from one life cycle stage to the next. Nonprofit leaders must prepare their organizations for both challenges and opportunities.

Summary

The nonprofit organization life cycle model provides an evolutionary perspective useful for nonprofit leaders. As a prototype, progress through the life cycle represents the many hurdles faced by nonprofit leaders. The stages may occur out of order and may need to be repeated to achieve success. As a diagnostic tool, the model can help nonprofit leaders recognize and address critical junctures in their organization's life cycle. These periods of transition from one life cycle stage to the next are opportunities for nonprofit leaders to assess progress, to reconsider commitment, and to shift priorities as necessary.

The model also highlights the changing roles of nonprofit board members as the organization progresses through each stage. By matching the organization's life cycle demands with the talent and temperament of volunteers, strategic board recruitment as well as training and development activities can prepare the organization for common challenges at each stage and create a context for overall success.

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Role of Nonprofit Leaders in Setting the Values, Vision, and Mission of the Organization

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An executive director (ED), sometimes called a chief executive officer (CEO), of a nonprofit organization is typically the most highly paid and the top hierarchical staff member in the organization. He or she is responsible for leading and managing the organization while ensuring the proper stewardship of resources as expected from a tax-exempt organization held in the public trust. Stephen Covey (1996) tells us,

> Leadership focuses on doing the right things; management focuses on doing things right. . . . Most managers and execu tives operate within existing paradigms or ways of thinking, but leaders have the courage to bring those paradigms to the surface, identify the underlying assumptions and motivations, and challenge them. (p. 154)

As managers tend to respond to change, leaders initiate and develop the culture for change. Leaders foster a culture for innovation beyond the problem solving of managers. Some maintain that managers focus more on efficiency while leaders focus more on effectiveness (Lynch, 1993).

There are overlapping aspects of leadership and management, however, an effective leader does not necessarily make an effective manager and vice versa. Leadership is defined as "a process whereby an individual influences a group of individuals to achieve a common goal" (Northouse, 2004, p. 3), while management is a discipline and practice involving work specific to the performance of an organization (Drucker, 1974) typically involving the primary functions of planning, organizing, staffing, and controlling (Fayol, 1916). By combining the responsibilities of leadership and management, an ED is charged with practicing the discipline of managing people and resources through these functions while influencing the staff, board of directors, direct service or administrative volunteers, donors, and members of the community toward a common goal for their organization.

Leadership responsibilities for a nonprofit organization also reside with the board of directors. The board is a group of volunteers ultimately and legally responsible for the governance of the organization. They are charged with ensuring compliance with all national, state, and local laws; setting the mission and ensuring it is carried out; providing advice and counsel to staff; and linking the organization to the external community. The board works toward satisfying these primary goals by fulfilling the three standards of conduct—the *duty of obedience*, the *duty of care*, and the *duty of loyalty* (Axelrod, 2005; Burgess, 1993). The duty of obedience involves acting consistently within the organization's mission, purpose, and applicable laws. The board fulfills the duty of care when it acts in good faith and in the organization's best interests when making decisions by staying informed, asking critical questions, and participating in governance. The duty of loyalty is fulfilled when the organization's interests come first and above individual interests, and it avoids conflict of interest. Some of the specific tasks the board is responsible for include hiring, evaluating, and firing, if necessary, the ED. The ED is hierarchically accountable to the board; however, some suggest that in spite if this line of accountability, more often than not, the ED works more in partnership with the board and even guides the board through "board-centered leadership" (Herman & Heimovics, 1991) to ensure the organization is managed effectively and working toward achieving its mission.

Mission

This common goal that drives the operations of the organization and defines its purpose is the organization's *mis sion*. The mission of a 501(C)(3) nonprofit organization embodies its primary (charitable) purpose or reason for being (Dym & Hutson, 2005). This primary, charitable purpose allows it to attain tax-exempt status by the Internal Revenue Service (IRS) and places it in the public's trust to carry out that purpose. The mission represents an entrepreneurial idea resulting from a person or group of people determining that a specific need in society has not been sufficiently met or met at all. It serves as the foundation for stakeholders to rally around, as well as a guideline for how the organization will serve the public good (Minkoff & Powell, 2006). The mission is expected to represent the organization's values, philosophy, and ethical standards (Bryson, 2005), as well as the basis for developing strategies, meeting objectives, and measuring performance (Dym & Hutson, 2005). Nanus and Dobbs specifically characterize the mission as "the maximization of the social goods they produce for both society and the people who participate in them" and "the single most important measure of success of nonprofit organizations" (1993, p. 39). It represents a covenant between the organization delivering and those consuming the organization's program(s), goods, or services.

Vision

Another common focus for the organization that drives its operations, helps define its purpose by supporting the mission, and helps charts the course and direction for the organization is the *vision*. The organization's vision describes what successful work toward its mission looks like and typically describes how the organization plans on getting to that point of success. For example, the mission statement of Decatur Cooperative Ministry (DCM), a small transitional housing nonprofit, reads, "Decatur Cooperative Ministry alleviates and prevents homelessness while affirming the dignity of each family" (Decatur Cooperative Ministry, 2009, "Mission and Vision"). The vision statement ("Mission and Vision") describes how the group will successfully carry out that mission

> to lead our diverse congregations and community in ending homelessness by
>
> - providing individualized, comprehensive services to homeless families;
> - raising awareness and providing education about homelessness and its systemic causes;
> - advocating for social justice and long term solutions to homelessness.

Consensus for the organization's vision is important for successful work toward transitioning the organization from its current to its desired state or condition. The ED is charged with soliciting, encouraging, and rewarding stakeholder input for the organization's vision to gain such consensus and a common focus for moving the organization forward. Some suggest that discussions about the vision, visioning exercises, and the development of vision statements come at the beginning of strategic planning to set the course for the process and the direction for the organization. Others such as Bryson suggest that visioning come later in the process to ensure it is detailed, fully understood by stakeholders, and more likely to be successfully carried out.

Values

A nonprofit organization's mission, strategies, and programs—developed to meet a societal need—are inherently based on *values*. Values embody what the organization stands for and are initially established by the founders. Some examples may include respecting the consumers they serve as unique individuals, social justice, privacy and confidentiality, quality of life, and health and wellness or dignity as mentioned in the DCM mission statement. The ED of a nonprofit demonstrates ethical leadership when he or she imbues the stakeholders and the community in which the ED resides and serves with the values of the organization. *Ethics* are defined as "personal and organizational values transformed into action" (Johnstone & Waymire, 1992, p. 20) or "principles on which decisions as to action should be based, derived from a specific value system" (Beckett & Maynard, 2005, p. 24).

John Dewey, a 20th-century philosopher, stated that "the motive for our action must be supplied from the sense of duty or ideal good" (1900–1901/1991, p. 42). The function of this ideal good is to "transform obstacles into means" (p. 43). The attainment or work toward the organization's mission represents this ideal good. It is the basis for transforming the obstacle of addressing the particular social needs of consumers by determining the means (intervention or service delivery) necessary to attain it. Dewey's description of this transformation includes the steps of defining the present conditions (needs assessment), defining the ideal good (intended results), and then acting to modify the current conditions toward becoming the ideal good (the intervention).

In this transformation is where an organization's values become embedded in its service delivery.

Important Considerations for Setting the Mission, Vision, and Values

Strategic Planning

The original mission, vision, and values of the organization are established by the person or group of people who founded the organization. Missions and visions may not be static as the environment in which the organization operates as well as the needs of the organization's target audience change over time. On rare occasions, missions are rendered obsolete as in the classic case of the March of Dimes, which changed its focus to preventing and curing birth defects after a cure was found for polio, its original focus. The ED, along with the board of directors, is responsible for strategic planning where they periodically revisit the organization's mission, vision, and values. This involves periodically conducting needs assessments for the target population served by the organization to determine if these needs have changed in volume, scope, demographically, economically, or in other areas. It also involves evaluating the organization's overall performance and how well it works toward its mission. Such an assessment must answer how well the organization is currently serving its consumers and fulfilling the promise set forth by the mission. When combining the needs assessment with the organizational evaluation, the organization must determine its ability to either continue to meet the most current needs of its target population or change its operations to meet needs that have changed.

Visions are subject to change, as the future desired state or condition of the organization and its path toward that success also tend to change over time due to the environment and changing consumer needs, or the visionary path may be altered due to the feasibility of its attainment. The original values of the organization as set forth by the founders are likely to remain in place as long as the mission remains relatively the same. However, there are instances where the leadership of the organization fulfills its responsibility to ensure the proper values are part of the organization's culture and ways of working and delivering service. An example might be when an organization realizes it is not inclusive enough when engaging stakeholders, especially based on the target population it serves. So it may adopt a new policy toward more diversity and pluralism to work toward engaging stakeholders more representative of the clientele served.

Resources

The executive director and the board are the central figures for ensuring the organization can successfully work toward its mission. This involves the four major functions of planning, organizing, staffing, and controlling but more specifically ensuring the organization has adequate resources to carry out the mission. Nonprofit organizations are open systems requiring resources from their external environments, so financial resources are not only necessary to carry out the mission, but also they are necessary to remain viable in an increasingly competitive market and ultimately to survive. Therefore, fundraising at some level is typically a key responsibility for an ED and the board of a nonprofit organization. Human resources, including paid staff and volunteers, are necessary to run the administration of the organization and deliver the programs to its target population. The success of the organization's programs is directly linked to the organization's success at working toward its mission. The ED is responsible for ensuring that these human resources, including the board, understand, buy into, and support the organization's mission. Capital, in the form of buildings, facilities, equipment, and other major assets, is a necessary structure for an organization to operate. An ED is charged with making sure the organization has the adequate capital to operate efficiently and effectively and to keep up with technological advances.

Leadership and Organizational Culture

Leaders can have a significant impact on an organization's stakeholders while working through the establishment of and revisiting the organization's mission, vision, and values. This is not exclusively a result of hierarchical position. The organizational culture perspective subscribes to the fact that members' behavior is driven by beliefs, values, and norms rather than simply rules or authority (Ott, 1989). *Organizational culture* has been characterized as comprising shared values, ideas, beliefs, assumptions, norms, artifacts, and/or patterns of behavior (Ott, 1989; Schein, 1992) and defined as

> a pattern of shared basic assumptions that the group has learned as it solved problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore to be taught to new members as the correct way to perceive, think and feel in relation to these problems. (Schein, 1992, p. 12)

The culture of an organization is a social construction that is both a product and a process. It's a product when it comes in the form of wisdom accumulated and passed on to others, especially new members of the organization, and it's a process because it gets renewed and recreated (Bolman & Deal, 2003).

The leader of an organization can have profound influence on the organization's culture in many ways. The culture of a nonprofit organization is largely built upon the ED's values, activities, and tasks, which are inculcated in staff and other stakeholders (Hay, 1990). The leader's use of language is a key driver of the enculturation process, as the way values and rules of behavior are communicated, including nonverbal communication, shapes the values and norms of the organization's culture (Bjerke, 1999). A leader can have formal influence based on her or his position and authority (Ivancevich, Szilagyi, & Wallace, 1977) and therefore sets the priorities for the organization. He or she may also have informal influence based on his or her expertise or special skills or talents that are important for the organization, such as an ED with expertise in fundraising or financial management. This influence, especially in the United States, where status is linked to education and knowledge, can garner respect within the nonprofit professional organizations or within the individual's own organization (Berke, 1999).

The issue of accountability has garnered much attention recently in the nonprofit sector, and while it typically is linked to more top-down approaches to management and leadership within the context of meeting goals or objectives, it also has its place in influencing the culture of an organization. If a leader communicates the rules of behavior and the priorities for an organization, this communication has no meaning for an organization's members if there is no accountability for following those rules or satisfying those priorities. Without the proper accountability framework, a leader's voice for an organization becomes rhetoric without any foundation for meaningful action. The leader must provide the organization's members with the level of support and a working environment that enables them to deliver on what they're accountable for. This involves leveraging the creative capabilities of the organization's members, engaging members through the psychological contract of their expectations combined with those of the organization's—aligning members' thoughts, decisions, and actions with their goals and the roles involved in achieving them and helping developing members realize their potential through mentoring and coaching (Kraines, 2001).

Leaders in and of themselves are symbols, and their patterns of behavior and leadership can be artifacts for the organization that communicate information about the organization's values, guiding beliefs, and ways of doing things (Ott, 1989). This can be especially true for the founding ED of a nonprofit organization who serves as the original, dominant leader that develops the organization based on his or her individual context and perspective and who attracts those who share similar values and beliefs. Schein reminds us that "Founders usually have a major impact on how the group initially defines and solves its external adaptation and internal integration problems" (1992, p. 212). Congruence must exist between the cultural values and operating norms for an organization to be successful (Anthes, 1987). As a result, culture and strategy are linked; impacting an organization's culture will likely influence the organization's strategic direction and ability to achieve its goals and objectives (Hay, 1990). More specifically, an organizational culture that promotes an environment for employee satisfaction is more likely to enhance productivity and organizational effectiveness (Ostroff & Schmitt, 1993). A leader, even a founder although less likely, can also be the driver for cultural change within an organization, but only if he or she can handle personal and/or professional discomfort that typically comes with the reflection and introspection necessary for effective change (Block, 2005). There remains debate on whether organizational culture can be managed, and there are constraints that include (Nord, 1985)

- life cycles, conflicting interests, a lack of willingness on the part of some actors;
- different salience attached to issues, different meanings, poor communication;
- lack of subordinate development, bad timing;
- a leader getting trapped by his or her own rhetoric; and
- complexity.

There is also debate over whether the leader is managing the culture or the culture of the environment is managing the leader. However, what remains constant is that leaders of organizations can have great influence on their organization's culture and be the catalyst for cultural change through symbolism, modeling behavior, employing appropriate reward systems, and using other strategies or methods. The importance of this influence can be realized in how it can impact the vision, strategy, enacting of values, direction, operations, and organizational performance in a group working toward its mission.

Future Directions

There are several current trends for the environment in which nonprofit organizations operate that will impact and increase the importance of the role of leadership in setting the mission, vision, and values of the organization. First, nonprofits are operating in an increasingly competitive environment that provides an uncertain and finite amount of resources. Some observers claim that within this environment there exist too many nonprofits and the duplication of services. The nonprofits that are more succinct, specific, and effective in establishing missions that address well-established and described societal needs are more likely to get the attention of funders, volunteers, and other resource providers and acquire the necessary resources to remain viable and competitive. The effective communication of an organization's mission, vision, and values through marketing, public relations, and the boundary expansion efforts in the community by the ED and the board will become increasingly important in this area. An effective establishment and the revisiting of the mission, vision, and values of an organization will greatly enhance the likelihood of an effective strategic planning process, which in turn should positively impact the organization's ability to acquire resources and operate efficiently.

Second, nonprofits operate in an environment where there is an increasing call for accountability. This call combined with the increasing accessibility of information and the advent of charity-rating organizations has affected the efforts of nonprofits: They become more efficient and effective. External stakeholders, such as foundations, the United Way, government agencies, and accrediting bodies now seek information that indicates the extent to which nonprofit programs are achieving their intended outcomes as promised in their mission statements. The leaders of nonprofit organizations must recognize that program evaluation is not something extra they do when funds happen to be available, a luxury item, something too nebulous and subjective to engage in, or something they do only when asked by external stakeholders. They must instead build capacity for it and make it an embedded part of the organization's culture and operations, so they develop a culture for continuous improvement. Connecting program evaluation with evaluating the work toward the organization's mission will be increasingly important to the organization's overall success.

Third, the nonprofit sector is continuing to professionalize itself through the many graduate programs in nonprofit studies across the United States. This is raising the bar for the desirable experience and education in potential executive directors. The next wave of EDs must realize the importance of balancing leadership and management to keep stakeholders involved and engaged, acquire the necessary resources, plan for the future, and consume the latest research available in their service delivery area all while modeling behavior and demonstrating fairness, integrity, honesty, openness, and accountability. In this way, EDs now must be "expert generalists" and not just emphasize or focus on their previous area of expertise such as financial management or fundraising. The new job descriptions for EDs are becoming more complex and demanding as the boards hiring them are realizing the value of an ED that can wear many hats and the full breadth of the responsibility for the position. Professional development and the will to learn will play increasingly important parts in the personal and professional growth of EDs as they strive to remain current and knowledgeable about the latest trends, research, methods, and tools for service delivery and the overall management of their organizations.

Fourth, research continues to tell us that board governance remains a challenge for nonprofits. Reasons for this challenge include (1) its being a volunteer position and the misperceptions that go along with the role of the volunteer; (2) a lack of conveying to board members the responsibilities and expectations of serving; (3) a lack of training, other than orientations, for board members; and (4) an increasingly busy society where time demands for board members are hampering their ability to properly commit and engage in their duties and responsibilities to their organizations. The board's role in setting the mission, vision, and values for the organization will be increasingly important for the organization as the starting point for engaging the board members in their primary duties and responsibilities. The board's level of investment and commitment to its organization will be reflected in its role in revisiting the mission and vision through strategic planning and through setting policy for the organization.

Preparing for the Leadership Role

Transformational Leadership

Leading a nonprofit organization is not necessarily linked to a hierarchical position, as the executive director, a board member, an employee, a direct service volunteer, or a client or consumer can assume leadership roles depending on the issues and situations the organizations faces and the current environment it operates in. *Transactional leadership* is inherent and cuts across all of these stakeholders when they assume the leadership role, as communicating information, planning, and executing tasks will all likely be part of that role. What is not inherent is what the challenges of leading a nonprofit organization in today's environment often require: *transformational leadership*, which "refers to a process whereby an individual engages with others and creates a connection that raises the level of motivation and morality in both the leader and the follower" (Northouse, 2004, p. 170). This type of leadership tends to the needs of followers for the purpose of maximizing their ability to reach their greatest potential and achieve beyond what is typically expected of them. The success of such transformation relies on the leader's charisma and ability to incorporate his or her vision for influencing followers on a one-to-one basis and the norms and culture on an organizational level.

Transformational leadership is important for focusing stakeholders on the mission of the organization and creating a culture of continuous improvement where (1) individuals view their work as more than responsibilities and tasks by connecting their specific role and performance with the organization's work toward satisfying the mission, (2) individuals strive to meet their goals and improve their performance for the sake of the organization and its mission, and (3) the organization proactively seeks to improve its efficiency and effectiveness for serving its consumers and overall constituency. Some recommended steps for enacting transformational leadership include, but are not limited to

- focusing on individuals, their needs and their roles in the organization's performance and their work toward its mission;
- being conscious of how one's own behavior impacts the needs and desires of other stakeholders and the organization as a whole;

- promoting and instilling intellectual stimulation and development in the organization's stakeholders to move them beyond typical views of their work and roles in the organization's success and provide renewed and enhanced perspectives and value for their work;
- earning trust and respect and gaining integrity by modeling behavior and ensuring behavior matches rhetoric and the messages conveyed to stakeholders; and
- creating a culture that embraces positive change that contributes to the organization's mission and enables the organization to adapt to a rapidly changing environment.

The Multifactor Leadership Questionnaire (MLQ) developed by Bass (1985) is a recommended tool to use for assessing one's leadership on seven factors related to transformational leadership. MLQ forms can be obtained at http://www.mindgarden.com/products/mlq.htm.

Education, Experience, and Professional Development

The nonprofit sector and the world of philanthropy are increasingly professionalizing their personnel, operations, and measures for performance. One important contributing factor to this movement has been the emergence of nonprofit management programs in higher education. There are an estimated more than 100 graduate programs offering courses in nonprofit or philanthropic studies, and approximately 45 of these institutions are members of the Nonprofit Academic Centers Council (NACC) whose mission is to "support academic centers devoted to the study of the nonprofit/nongovernmental sector, philanthropy and voluntary action to advance education, research and practice that increases the nonprofit sector's ability to enhance civic engagement, democracy and human welfare" (Nonprofit Academic Centers Council [NACC], 2009, "Mission & Goals"). NACC provides curricular guidelines for both undergraduate and graduate studies in the nonprofit sector, nonprofit leadership, and philanthropy (NACC, 2007).

Existing and aspiring nonprofit leaders are encouraged to consider and take advantage of the expanding number of higher educational opportunities available and review the NACC curricular guidelines to acquire a foundational understanding of not only what will likely be taught in these programs but also what is expected of nonprofit leaders. The will to learn is an important trait for nonprofit leaders, as the environment they operate in is constantly changing. To remain current and knowledgeable in order to effectively lead a nonprofit organization, leaders must learn about new and innovative methods of service delivery; new legislation that impacts nonprofit organizations; the latest research on issues impacting the organization such as those pertaining to the organization's subsector, size, service delivery niche, personnel, and so on; recommended practices for overall nonprofit management and specific areas such as fundraising, volunteer management, or contract management as well as the specific professions within an organization such as social work, health care, or performing arts.

The old adage, "there is no substitute for experience," holds true for nonprofit leadership, and we are reminded again here that experience in nonprofit leadership is not necessarily linked to the hierarchical position or role one has in the organization. In fact, sometimes the best way to learn about how an organization operates and to become an effective leader is to start at the bottom. United Parcel Service (UPS) is famous for touting that their executives all started as either drivers or workers in their distribution facilities. As one moves forward in a career and builds a body of work, an individual's portfolio, all of one's experience regardless of the consequences or outcomes contributes to the social construction of who one is as a person and as a leader. Individuals are encouraged to take advantage of opportunities to gain depth and breadth of experience that goes beyond paid employment in a nonprofit organization. She or he can serve on the board of directors of an organization; volunteer in a direct service or administrative capacity; engage in advocacy or lobbying to influence policy; work with community groups to assist with organizing or focusing on specific issues; write articles or editorials for nonprofit trade publications, a local newspaper, or relevant blogs; serve as a research assistant to a professor conducting research on nonprofit sector issues; or take advantage of the American Humanics program that provides internships and leadership opportunities for nonprofit studies students who gain practical experience at local nonprofit organizations while earning their certificates or degrees. Gaining practical experience will enable individuals to bridge theory with practice by connecting concepts learned in school, help build a network of friends and colleagues in the field, expand and enlighten his or her perspectives for nonprofit management, and ultimately better prepare him or her to be an effective nonprofit leader.

An individual's knowledge base will likely not, and should not, encompass just his or her higher education and practical experience. There is an abundance of professional development opportunities that individuals are encouraged to take advantage of that typically complement formal education and work experience. These opportunities may be delivered by specific professionals or groups such as a local Directors of Volunteers in Agencies (DOVIA) for volunteer administrators and managers or a chapter of the Association of Fundraising Professionals (AFP). They may be delivered by a statewide association of nonprofit organizations or by a national organization's annual conference, such as those of the American Evaluation Association (AEA) or the Alliance for Nonprofit Management. These opportunities vary in cost; however, occasionally, scholarships or travel stipends are offered for opportunities not local to your area. These opportunities also provide the benefits of networking with colleagues or kindred groups and some professional groups offer certification in their respective fields.

Managing Ethical Dilemmas

Nonprofit leaders constantly face ethical dilemmas because of competing demands from stakeholders, resource dependency, personal agendas, personality conflicts, poorly communicated expectations, other factors, and simply because nonprofits operate in political environments. For example, an organization is considering applying for a grant that requires program outcomes not relative to its specific programs. Does the organization apply for the grant and then "stretch" its programs and risk drifting from its mission in order to acquire the funds? A board member has a relative who owns a construction company that has offered to build a new wing for the local hospital at a discounted cost. Does the organization take the offer to save its organization money or avoid risking the appearance of conflict of interest and put the job out to open bid? Say an organization has formally evaluated its programs for the first time since it was founded 10 years ago. To whom are the results communicated? Are they shared with existing and potential consumers? How far does the organization go in publishing the results to be transparent?

It seems that almost every day we can read about how leaders in business, government, or the nonprofit sector have behaved unethically. Our behavior as leaders is influenced and judged by who we are and what we do. Ethical leadership requires a balance of consequentialism and an intrinsic motivation to do what is right. There will be times that a leader will act based on the consequences for him or herself as an individual, for stakeholders, and/or for the entire organization such as in obeying the law. While this is important, solely acting out of the potential consequences will likely cause a leader to stray from ethical leadership, which requires acting on what is the right thing to do based on values, doing no harm to others or your organization. For example, obeying the law to the letter may involve highly unethical behavior. The principles for ethical leadership are respect, service, justice, honesty, and community (Northouse, 2004, p. 310). It is not enough for a leader to personally have these values and embody them through her or his actions. It is incumbent on a leader to infuse the culture of his or her organization with them so the stakeholders also adopt them and act accordingly through a sincere, intrinsic motivation. Here is a great opportunity to connect the mission and vision with these values and the overarching values of the organization.

Summary

Nonprofit organizations are established through entrepreneurial ideas by a person or group of people who have determined there is an insufficiently met need in society. Through this establishment, the organization's mission, vision, and values are set. This process typically involves the executive director, the most highly paid and the top hierarchical staff person in the organization and on the board of directors, a volunteer group of people legally responsible for the organization. The mission of the organization defines the organization's purpose and reason for existing and typically conveys the audience the organization serves. The vision describes what the successful work toward the mission looks like and can describe the process to get there, usually from a current state or condition to a desired future one. Values usually drive the establishment of the organization and its mission and vision and help to shape what the organization stands for and deems important. Some examples of values include integrity, treating the whole person, diversity and inclusiveness, holistic care and respecting an individual's rights, and social justice.

The mission, vision, and values are inextricably linked and their establishment, reexamination, revision, and refocus are all important responsibilities of the leadership of the organization, typically the ED and the board of directors. Successful leadership and management of nonprofit organizations require that individuals continually expand their knowledge base, practical experience, professional development to stay abreast of the current research and recommended practices for their field, service delivery niche, and the sector as a whole. It also requires that they employ ethical leadership to do what is right, do no harm, and protect the stakeholders and reputation of the organization. This process will help enable leaders to transform their organization to effectively serve their mission and realize their vision while ensuring their values are understood, represented, and valued. Nonprofit leaders are in an optimum position to impact the culture and operations of the organization to ensure the common focus, investment, commitment and work toward incorporating and satisfying all three as the organization strives to remain fiscally healthy, improve performance, and ultimately satisfy the covenants between the organization and the consumers as inherent in the promise of its mission and the public trust of its tax exempt status.

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67

Role of Nonprofit Leaders in Data and Needs Analysis and Assessment

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For many nonprofit organizations, program evaluation is done to respond to the demands of a funder. Most government and foundation grants include some requirement for reporting on results.

While the specific requirements vary widely, as do the resources provided by the funder specifically for evaluation, there are two forces at work in the nonprofit community that are influencing evaluation requirements (Behrens & Kelly, 2008). One of these is the push for greater accountability and transparency. Because of the tax-privileged nature of nonprofits, the public has a right to ask for an accounting of what has been accomplished with these dollars. Funders are being pushed to become more transparent about their work as well as the results of their grantees.

The other major force is the increasing awareness of the complexity of the environments in which nonprofits work. The mix of funding streams, reporting requirements, restrictions on eligibility for services, and so on, create highly interconnected systems that nonprofits must navigate. From the individual perspective, there is greater awareness of how each individual may confront multiple interrelated challenges of poverty, lack of access to health care or high quality education, and poor employment prospects. No one intervention can address all these needs, but any one intervention may impact other systems. In such an environment, simple indicators of outcomes are unlikely to provide useful information.

The pressure for accountability often pushes nonprofits toward identifying simple measures of outcomes; the system perspective can drive them toward collecting large quantities of data. One overall responsibility of nonprofit leaders is to ensure that *whatever resources are spent on evaluation to meet funders' needs also meet the needs of the organization.*

Much has been written from evaluators' perspectives on assessing whether an organization or program is ready for evaluation. Patton (2008) provides an excellent overview of how evaluation can be conducted to support its use by an organization. Less has been written from the nonprofit leader's perspective on how to be ready to use evaluation effectively.

This chapter will focus on how evaluation, and more broadly, use of data, can be used as part of a continuous learning process to improve nonprofit effectiveness.

Readiness for Evaluation

Much of the writing on readiness for evaluation focuses on what it takes to *do* evaluation. Some of the commonly mentioned characteristics of readiness include the following:

- *Clarity about the purpose of evaluation.* Is the evaluation being done to improve a program (formative) or to reach a determination on whether or not it works (summative)?
- *Resources for evaluation.* Are there sufficient resources of staff time and funding for external consultants to collect the needed data?
- *Attitude toward evaluation.* Does the organizational leadership believe in the value of evaluation?
- *Data systems.* Are there existing data that can be used or is the organization willing and able to create systems to gather data?

- *Program maturity.* Is the program at an evaluable stage? That is, has it been in effect long enough to be able to reasonably expect to see outcomes?

With all of the above criteria met, the nonprofit executive can indeed help to ensure that an evaluation can be technically accomplished. That is, relevant data will be collected at an appropriate time in the course of the program. However, meeting all of these criteria does not ensure that the evaluation will ultimately be useful to the organization; these are necessary but insufficient criteria if the executive is concerned about getting the best return on the evaluation investment.

Readiness to Use Evaluation

Getting the most from evaluation requires that the organization adopt a learning stance, seeking opportunities to learn to do their work better. Senge (1990) popularized the concept of a learning organization in *The Fifth Discipline* in which he argues that the key to organizational success is to be continually learning. In this chapter, we describe how a nonprofit leader can use evaluation in support of being a learning organization.

The Learning Cycle

Figure 67.1 (from Kim & Cory, 2006) presents a fairly common depiction of a learning cycle. There are many different versions of how the learning cycle is described (e.g., "plan, do, act, check"), but the basic concept is the same: Learning involves a continuous cycle of gathering data, making changes based on what is learned, and then observing to see the impact of the changes and making continuing adjustments.

In most discussions about learning, the milestones within the boxes get the most attention. However, as noted in Figure 67.2, the lines—the activities or processes that take place within the organization to get to these stages—are equally important.

To use data and evaluation for learning, the nonprofit leader has to ensure that the processes of reflecting, conceptualizing, operationalizing, and perceiving are being carried out appropriately in the organization. Too often, in the rush to launch programs, these processes are short-circuited. Program development moves from observing a need, to gathering data about the extent of the need, to designing a program, and to implementation in the best tradition of program design. However, a lack of attention to the quality of *how* this work is carried out can lead to less effective programs.

It is the role of the nonprofit leader to ensure the quality of these organizational processes. At the highest level, the leader needs to ensure that the cyclical learning process is seen as valued. Rather than a checklist of things to consider, thinking in cyclical terms suggests that a "checkcircle" of factors to consider may be a more useful model (Figure 67.3).

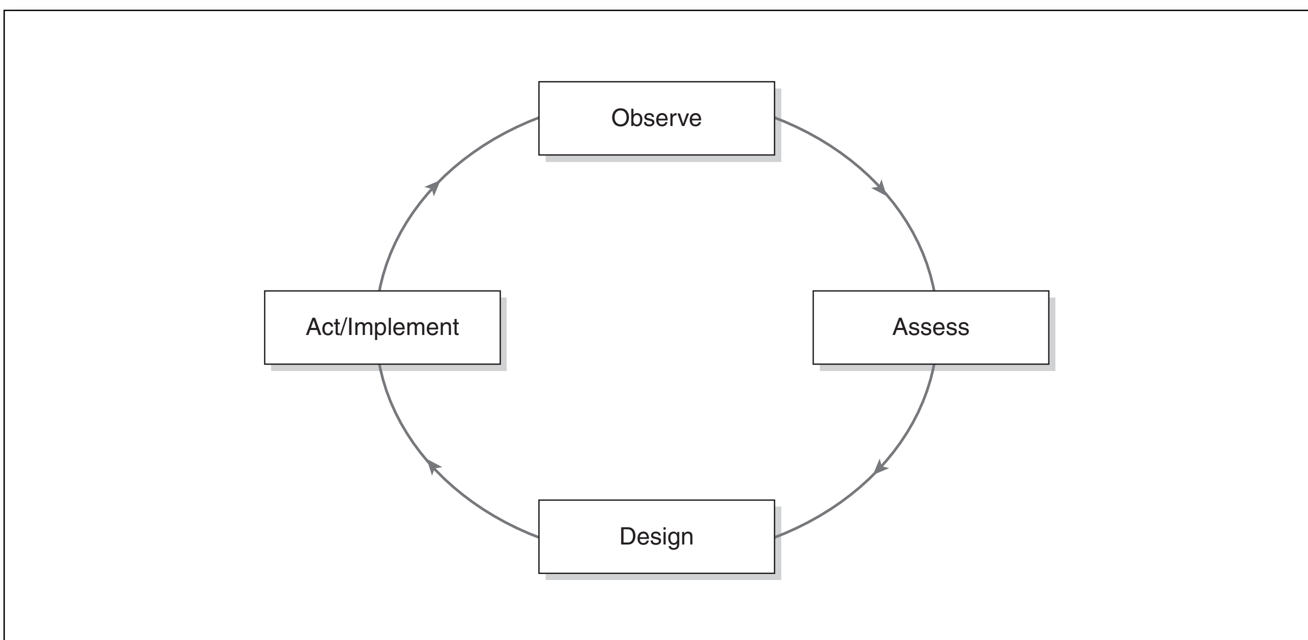

Figure 67.1 The Learning Circle

SOURCE: Kim and Cory, 2006.

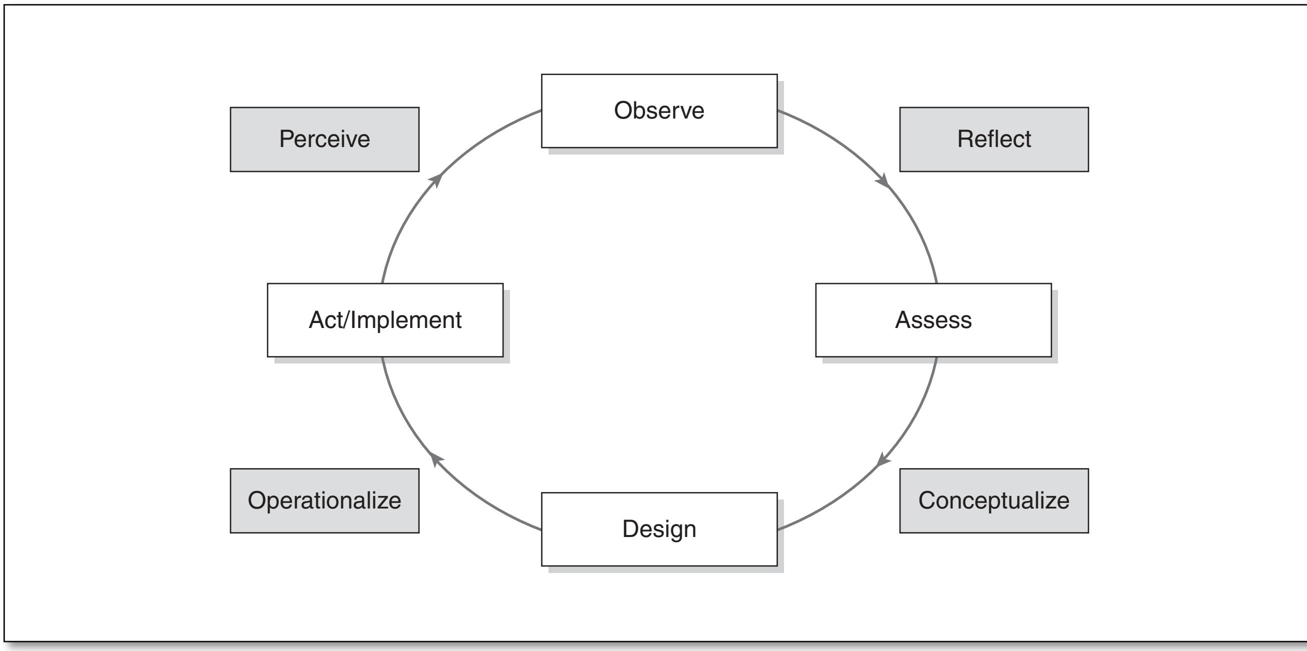

Figure 67.2 Learning Processes
SOURCE: Kim and Cory, 2006.

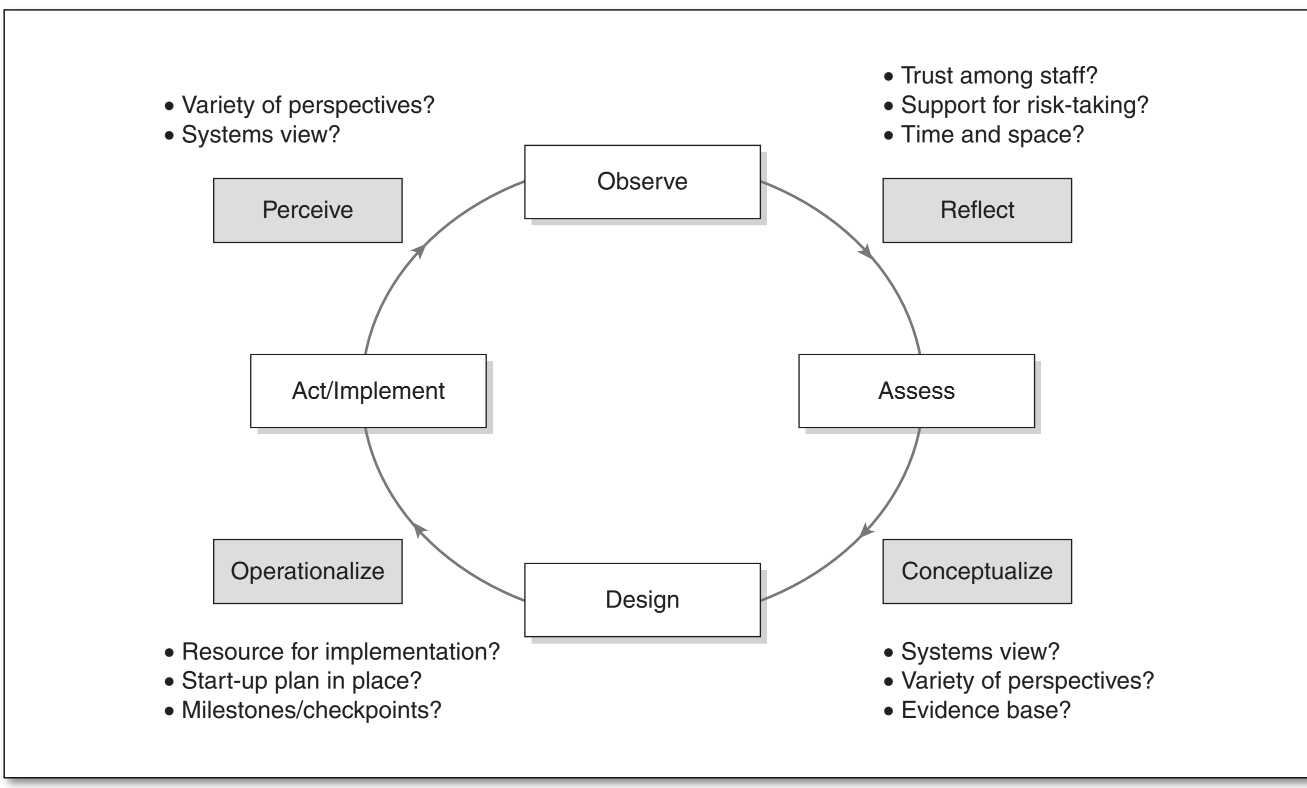

Figure 67.3 A “Checkcircle” for Evaluation Use
SOURCE: Kim and Cory, 2006.

Observe/Reflect

Beginning at the *observe* stage, the leader can improve the quality of reflection on these observations by asking some key questions:

1. *Is there an environment of trust in the organization?* To freely share their observations, staff members must feel that they will not be subject to ridicule, skepticism, or other ways of invalidating their observations. The climate should be one in which each person's observations are taken seriously. An environment where out-of-the-box thinking is encouraged is one in which links and relationships relevant to the issue at hand may be surfaced.

2. *Is there support for risk taking?* Organizational cultures that do not treat mistakes as failures are more likely to foster learning. If the dominant storyline in the organization is "the last person who screwed up got fired," then it is not a climate in which creativity and open dialogue will occur. It has to be OK to acknowledge when things didn't go as planned and to admit it when the emperor is naked. The executive can and should model this behavior.

3. *Do staff members have the time and space for reflection?* Taking time to reflect together is the way to maximize on the diversity of a group and enable the most creative thinking. Nonprofit staff members are notoriously overbooked and busy carrying out their work. Helping to see reflection time as valid and important work time is an important role of leadership. Again, the executive can model the behavior and create an expectation that staff will make these reflection times a priority.

Anyone who has worked in an organization has had the experience of coming out of a meeting and comparing notes about what was *really* happening in the meeting. To have an effective learning environment, these observations and reflections need to take place in front of the group; they need to be part of the meeting. Getting all of the facts on the table—even the "elephant in the room," like the fact that the executive's pet project isn't working—is an essential step before learning can take place. Good facilitation, discussed in more detail below, can make this reflection process a safe environment.

Assess/Conceptualize

At the assess stage, formal information gathering is carried out to determine the scale and scope of the social issue to be addressed. The conceptualization process—the development of a shared understanding of the issues and how to address them—follows from this information gathering. The nonprofit leader can consider the following questions in order to make this conceptualization process effective:

1. *Have we looked at this from a systems view?* The organizational leader often has the broadest perspective on the organization; other staff may have broad understanding of the particular social issues being addressed. Both are necessary to understand how the problems and interventions are conceptualized as part of the existing networks and systems in a community and the capacities of the organization. There are several different facilitation approaches that can help foster this systems perspective. See below for further suggestions.

2. *Do we have a variety of perspectives?* Including the perspectives of program participants, other community and nonprofit leaders and staff, as well as from a variety of internal perspectives, is the key to getting the best information on how alternatives under consideration might be impacted by or have an impact on other parts of the organization or community.

3. *What is the quality of the evidence base being used?* The quality of the conceptualization can be only as good as the assessment information on which it is based. The data should include things such as

   a. What is the problem we are addressing?
      i. What is the scale of the issue? How many people are affected or involved? (Are you trying to house 20 homeless people? 200? 2000?)
      ii. What is the scope of the issue? What is the geographic area you are (or should be) concerned about? (Are the homeless moving among churches in your community? Surrounding communities?)
      iii. Who else is working on the issue? What are they discovering? What data do they have?
      iv. Which is the group you really need to target? (Are the homeless predominantly single men? Women and children? Two-adult families? English speaking?) Are there particular characteristics of this group that you need to take into account, such as cultural beliefs or traditions?
      v. What are the related needs that you should address, either directly or in cooperation with others?

   b. What do we know about what works?
      i. Are there interventions that have been demonstrated to be effective? What does the available research tell you?
      ii. What have others in your area who are addressing this issue tried? What evidence do they have of success?
      iii. What do members of the target group say about what they need?

Using the services to the homeless as an example again, a service provider might offer only emergency shelter; shelter and meals; shelter, meals, and health care; shelter, meals, health care, employment counseling, and so on. Another strategy might be to offer only supportive services and work with another housing provider. Housing families will have different requirements for both space and services than housing single adults. The "right" mix will depend on getting the view from many different parts of the system of services.

Basing decisions on data that are accepted as valid and reliable, rather than on the preferred theories of individuals, is more likely to lead to positive outcomes. A leader with good teaching skills can help the group maintain rigor in the discussion. This also may be one point where bringing in an external facilitator (who may also be the evaluator) may help keep the discussion grounded in the data.

A Word About Standards of Evidence

In the nonprofit world, there are few examples of "proven" approaches to social problems. Proving results requires using randomized experiments. For example, we would randomly assign homeless people to different types of services and track them over time to see what services resulted in the best outcomes. The impracticality of this approach (such as getting enough people assigned to enough different treatments, getting participants to agree to participate, the cost of monitoring the different programs and individuals, and having services that are clearly defined and different from each other) means that doing experiments is typically not the way programs are evaluated. Instead, we look for ways to logically demonstrate that the services provided made a difference. At a minimum, we look for evidence that change actually occurred, meaning that we have "before" and "after" data. Note that before and after data do not prove that the program caused the change, only that there was change. Having a comparison group that is not randomly assigned gives you some additional evidence that the program made a difference, but it is also very feasible that some other difference between the two groups caused change. Logic models, discussed below, have been developed as a way programs can demonstrate the linkages between what was done and what was achieved.

Rather than the "gold" standard of true experimental research, evaluation often relies on something more akin to the legal standard of what a "reasonable person" would believe.

In this assessment and conceptualization phase of the process, one thing to be clear about is what a *system* is. The term is often used loosely (even in this chapter), but there are some key elements that need to be present in order for something to be a system. It has to have parts that work together (in an order that matters) to achieve a purpose. When we speak of *social service systems*, we are often referring to a collection of social service providers who do *not* actually work together. Often, the process of bringing people together to review data and get a shared understanding of the issues is a major intervention in its own right!

Design/Operationalization

Based on all of this information, the leader should ensure that there is a shared understanding of what the initiative or program is seeking to accomplish and what the key strategies for achieving the goals will be. In short, the leader needs to ensure that there is a *theory of change.* A theory of change defines all the building blocks required to bring about a given long-term goal (ActKnowledge, n.d).

Knowlton and Phillips's (2009) book is a good resource for details on how to develop a theory of change, as well as sample logic models, for various types of programs; the web-based tools available at www.theoryofchange.org are also helpful.

If an external evaluator will be used, this is the ideal point at which to engage them. There are several advantages to bringing the evaluator into the conversation at this point. First, their professional advice on the clarity of the program goals and logic model can be used to the best advantage. Second, if the evaluation design is developed along with the program, there is an opportunity to build evaluation data collection into the other work of the program. Third, opportunities for participative evaluation in which program beneficiaries contribute to shaping the evaluation can be developed. Participative evaluation may result in more relevant data with broader ownership of both the program and the evaluation. Finally, a professional evaluator can also help staff assess the quality of the data on which program design decisions are being made.

As new programs are put in place, the more traditional management questions arise. The role of the leader is to ensure effective operationalization by asking management questions such as the following:

1. *Do we have the resources to implement the pro gram?* The right staff capabilities, technology infrastructure, program space, and referral networks are some of the resource requirements to be considered.

2. *Is there a clear start up plan?* As anyone who has ever finally received a grant and then said, "Wow. Now what do we do?" knows, a plan for ramping up activity is critical to success. Plans for how resources will be reallocated, how initial participant recruitment will be put in place, and so on, are as important as the plans for how the program will look once it is in place.

3. *Are there milestones or checkpoints?* Clarity about when progress will be assessed is part of the leader's responsibility in operationalization.

At this stage, a logic model can be used to provide a graphic depiction of this detailed view of the program. A logic model is a simple way to connect the dots between activities, the outputs of those activities, the expected outcomes (short- and long-term), and impact that will follow from those outputs. (See Figure 67.4 for a logic model template.) The logic model then provides a guide to the ongoing assessment. Data can be collected over time to assess progress at each stage, from implementation (Are the resources there? Are the activities fully implemented?) through impact (Have we reduced homelessness in our community?).

Assumptions							
Problem Statement			***Strategies***	***Activities***	***Results***		
Problem	*Who is affected?*	*Where is the problem? (place)*			*Outputs (short-term)*	*Intermediate-term outcomes*	*Impacts (long-term)*

Figure 67.4 Logic Model Template

Implement/Perceive

The old parable of the blind men and the elephant is a good one to keep in mind when assessing any system. In the parable, each blind man is touching a different part of the elephant and describes the elephant based on that part: "It is like a tree trunk," or "It is like a rope." Our view of any system depends on where we sit in relation to that system. The nonprofit leader is often in a better position to see a broader network than line staff. The executive will also have the authority to make decisions about formal partnerships or other forms of collaboration that might contribute to a more effective program.

These are some key questions to ask about this part of the cycle:

1. *Who else should be involved?* One of the key roles of the nonprofit leader is to ensure that the perceptions of those who have different vantage points are included in any implementation and observation processes.

2. *Who or what other processes interact with this system?* Traditional evaluations will sometimes discuss the "context" of the program or of the evaluation. Thinking more specifically about the systems that are impacted or have an impact on the program being implemented allows a more systematic look at the environment. Sometimes, *unintended* consequences can actually be foreseen if this approach is taken.

This systems analysis is often best accomplished through a formal process with a group that includes representatives from outside the organization and especially representatives of the group that is expected to use and benefit from a program. In the homelessness example, meal providers, medical service providers, merchants concerned about panhandling, school officials who work with homeless youth, and police are among the groups who might offer valuable perspectives.

There are many formal methods for analyzing systems; Williams (n.d.) has an easy-to-understand website that explains many of these methods. Iman and Williams (2008) provide examples of how different systems approaches were used in many different social programs.

Executive Skills

In summary, the role of the nonprofit executive can be described in four main responsibilities that help to promote continuous learning:

- Creating a "data culture" by demonstrating use
- Creating a climate of trust
- Making time and space to reflect on evaluation findings and other data
- Holding the big picture (systems view)

Technical skills in evaluation can be accessed through an evaluation consultant; the responsibility for use, however, must rest inside the organization. The skills that are needed to carry out the roles above are not the ones taught in traditional management classes. They include skills in teaching, facilitating, and framing good questions.

Teaching skills come into play in working with both staff and board members to understand the learning framework and the systems context for the program. Teaching skills include having a tool kit of ways to convey information to others in ways they can understand it. Sometimes, the leader may actually need to give a presentation to the staff; other times, she might create a setting in which the learning can be more of a process of self-discovery. For example, the executive director could give a presentation on which key partners are for a new program to provide supportive housing, could ask a staff member to research who in the community is doing this work, or could lead a board discussion at which the service providers are placed on a map. In fact, all of the above might be necessary. The executive director can choose what approach is likely to achieve the needed results in the needed time frame if she has some basic understanding of how individual learning takes place.

Facilitating skills, including the ability to carefully construct a meeting agenda, is important in almost every aspect of creating a learning environment. Being able to clearly specify meeting goals and objectives, develop a logical flow of topics, keep the meeting on topic, respond to events and people as the meeting unfolds, and ensure that an accurate record of the meeting is made are among the skills needed. For example, a meeting at which unfavorable data about a program's outcomes are going to be shared can be framed as a learning meeting with objectives to identify what can and should be done differently, to identify what is working well and should be maintained, and to develop a set of lessons to share with the field. Contrast this with a meeting objective of finding out what went wrong (and who is responsible as the unstated objective).

Framing good questions is a skill that is useful to support both productive meetings and effective teaching and learning. Good questions have the following characteristics:

- Cannot be answered with a simple yes or no
- Invite people to think and reflect
- Empower people rather than invite self defense
- Question assumptions

By posing good questions and teaching others to do the same, a nonprofit leader can also contribute to developing a climate of trust. When questions are asked to achieve understanding rather than to fix blame, it becomes a safe environment to admit mistakes—the first step in being able to learn from them!

There are a number of excellent resources on how to frame good questions (e.g., Marquardt, 2005).

Involving the Board of Directors

Ideally, the culture of learning will extend to the organization's board of directors. Because the board has the ultimate legal and fiduciary responsibility for the organization, board members often have a tendency to focus on the accountability purpose of evaluation rather than the learning uses. This in turn often leads staff to not share the full evaluation results with the board. Bringing the board into the learning process, however, can result in a more effective organization.

One way to reframe evaluation for board members is to emphasize that the goal is not to "prove" success or failure, but to "understand the results." Even board members steeped in a business culture know that if profits are down, you need to get to the root of why they are down to turn it around.

Depending on the nature of the board, there are some strategies that might be used to engage them in the learning cycle:

- Share evaluation results with the whole board in a discussion format again, posing questions about what was accomplished, what could be done differently, and so on. Clearly marking these discussion sessions as different from the board's decision making sessions is helpful. For example, if the board usually meets around a table, having a conversation seated in comfortable chairs might signal that this conversation is different.
- Set up an "evaluation" committee of the board. Members of this committee will spend more time learning about the evaluation processes being used and the results. They can then become the spokespeople to the rest of the board.
- Bring in an outside evaluation specialist who can help educate the board about evaluation. In particular, board members are often unclear about the issue of standards of evidence and the difference between summative and formative evaluation. If they become comfortable with these concepts, they may become more comfortable with the use of logic models and other evaluation tools.

Working With Funders

It is unfortunate that each funder has its own evaluation requirements. Government funders at the federal, state, and local levels have different reporting forms and requirements from each other, let alone those of foundations. In general, though, funders have become more attuned to reporting outcomes rather than just numbers served. As with the board of directors, there are different ways in which funders might be involved in evaluation discussions.

In the case of local funders, inviting them into learning conversations as described previously might be a good strategy. Funders who are committed to a particular community are more likely to appreciate the understanding-rather-than-proving framework.

Other funders might provide a form in which you need to report results. Nothing about using this learning framework means that you will not have the numbers to report. In fact, learning requires that you have good data!

Summary

Given the many hats that nonprofit leaders wear, they cannot be expected to become experts in evaluation. The technical aspects of evaluation are in many cases best left to people with special training or expertise and used on a consulting basis. However, the nonprofit executive plays a critical role ensuring that the resources, both financial and human, that are spent on evaluation are put to the best use for the organization for which they are responsible, not just for the purposes of the funder.

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CULTURE, CLIMATE, AND SOCIAL CONTEXT IN NONPROFIT ORGANIZATIONS

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Taking a look at what goes right or wrong in a nonprofit organization often prompts a conversation about organizational context. Unfortunately, the dialogue typically only starts during the postmortem analysis undertaken after a major ethical breach. During such a time, an organization's members will closely examine the incident, and in high profile cases, the community at large will also get involved through media reports, blog posts, and case analysis. The result of these analyses often yields succinct explanations for the most egregious behavior by nonprofit organizations. The explanation typically sounds something like "it was the culture of the organization that allowed this to happen." It sounds reasonable, end of the story, right? For most people, yes, the cultural explanation brings closure to the story and they can move on to the next topic of interest. However, for current and aspiring nonprofit leaders, the story has just begun.

Individuals in leadership roles who invest the time to gain a deeper understanding of the omnipotence of organizational social context (or organizational climate and culture) will find themselves better prepared to create, maintain, and lead healthy nonprofit organizations. Without an adequate understanding of organizational climate or culture, many well-intended leaders have led organizations to their demise, made news headlines for major ethical breeches of conduct, or quietly left their executive positions as bewildered failures. If these "failed" leadership attempts had taken the following two golden rules under advisement, their outcomes may have been different: (1) Hard work and good intentions to promote a leadership initiative that does not resonate with the existing culture of an organization will almost always fail, and (2) working within the established culture of an organization, no matter how negative the effect of the existing culture, provides the most likely route to successful leadership change. Thus, a comprehensive understanding of organizational culture serves as an important knowledge base for organizational leaders.

Nonprofit leaders have reasons unique to the third sector to attend to the culture of their organizations through knowledge, assessment, and continuous learning. These reasons are different from those for the for-profit and government sectors and are directly tied to the organization's sustainability. Ethics and the perception of being an ethical organization play a vital role to nonprofit agencies as nonprofits rely largely on donor funding to remain viable and to fulfill their missions. If an ethical breech occurs in a nonprofit agency, the funding streams can become very scarce or disappear completely. Thus, as the culture of an organization has an effect on its members' behavior and their behavior constitutes the ethics and ethical image of an organization, an understanding of organizational culture and its role on ethical behavior serve as critical knowledge for the leaders of nonprofit organizations to possess.

This chapter seeks to provide readers with an understanding of the concepts of organizational climate and organizational culture. Gaining a true understanding of these notions requires recognition that becoming fluent in the culture of an organization facilitates opportunities for positive change and protects against ethical failures, mission drift, and other ineffective practices. To that end, various conceptualizations of organizational context throughout this chapter introduce the reader to the theoretical complexity and rich history behind terms used so often but rarely understood. The chapter discussions culminate with the introduction of two premiere scholarly works on nonprofit ethics and a push for the reader to apply their understanding of organizational context within their current social settings. Without a doubt, understanding how to harness the power of organizational context shapes your skills as a leader and provides some of the tools necessary to solve social problems. This chapter aims to serve as a primer to advance the knowledge of an aspiring or current nonprofit leader to help accomplish many important leadership tasks.

Understanding Organizational Climate, Culture, and Social Context

Are Organizational Climate and Culture the Same Thing?

Already in this chapter the terms *organizational climate* and *culture* have been used interchangeably along with a third term, *social context*. This presentation may falsely give the impression that the three terms represent an identical concept. However, the following serves as a better way to conceptualize these three related terms. Using an analogy, organizational climate and culture represent adopted siblings, and their shared surname is social context. Stated more specifically, social context represents a broad term that has recently entered the academic literature, and it describes the environment within which an organization's members operate. The use of this term in the literature has sought to unify the camps of scholars who rally behind either research on climate or research on culture. Climate and culture represent specific terms each with a long history in the academic literature. Notably, while a great deal of overlap exists between the two terms, prior to the push by modern scholars to unify the concepts through the study of social context, the majority of the literature has existed in two "silos": research on climate and research on culture. The next sections of this chapter provide a historical overview of climate and culture with a discussion of their relevance to current and aspiring nonprofit leaders. These sections serve to provide knowledge of the historical differences in understanding, measuring, and effecting organizational climate and culture. Acquiring such a knowledge base can facilitate a broader depth of understanding and provide a common language for integrating the concepts. Increasing the complexity of one's understanding can perhaps most importantly increase the capacity for assessing and shaping the behavior within one's organization.

Understanding Organizational Climate

Notable literary and scholarly works since the mid-1800s have explored the human dimension of organizations. This exploration indicates the first recognition that the underlying values of organizations affect workers and that a socialization process occurs in the workplace. Examining the human element developed into a specialized branch of organizational study with the social context of organizational life as its focus. This branch became known as organizational climate. Thus, organizational climate represents one of the first widely studied concepts to address the social context in organizations and, as such, represents an older term than culture related to organizational behavior.

Definitions of Climate

A multitude of definitions for organizational climate provide different perspectives on an organization's membership and the organization's capacity to change. Some scholars identified climate as a relatively enduring quality of the organizational environment experienced by individuals that influences the behavior of its members. Meanwhile, others indicate that climate can be managed or altered within a relatively short scope of time. Clearly, differences exist within the definitions, but most academics include within their conceptualization an element of perception. For example, climate is the way individuals perceive the personal impact of their work environment or is related to the psychological environment in which the behavior of individuals occurs.

The study of these definitions and the research that supports the multifaceted understanding of climate over the decades yields the following amalgamated definition: Organizational climate consists of the *visible attributes of an organization's values as interpreted, in a shared manner, by multiple members* of the organization. Distinct from but related to organizational culture, climate functions with significantly more malleability than culture. Change in organizational climate, may, over time, produce a change in organizational culture, and within a single organization, multiple (even contradictory) climates may exist.

History of Climate and the Emergence of Organizational Culture

The notion of organizational climate as a discipline emerged from the field of psychology, and scholars in this area essentially sought to study and understand the way individuals describe and perceive the environment of their organization (Verbeke, Volgering, & Hessels, 1998). Researchers' drive to delve further into the study of climate served to satisfy their need to understand what environmental influences in an organization affected the motivation and behavior of its constituents (Reichers & Schneider, 1990).

Ultimately, the study of organizational climate split and evolved in two directions: research on climate and research on culture. Some scholars maintained the original pursuit of climate research while new interest in organizational culture rapidly took hold among other researchers. Following this split, a notable division occurred between researchers about which of the two concepts composed the most relevant aspects of organizational life and which served as more valuable on a number of levels (academic, fiscal, personnel management, organizational change, and leadership, among others). This divisiveness in the literature still remains, as articulated by researchers who advocate keeping the concepts of climate and culture distinct and independent of each other. However, a growing number of researchers laud the benefits of understanding climate and culture as reciprocal and reinforcing concepts that may benefit from mutual study. To gain a better understanding of the distinctions and similarities between climate and culture, a review of the most common definitions and the history of organizational culture is necessary.

Understanding Organizational Culture

The notion of culture has its roots primarily in the field of anthropology. Scholars studying indigenous peoples used largely qualitative methods to gain insight into tribal practices, mores, values, and specific artifacts of culture. The study of organizational culture emerged from the initial studies of organizational climate when the business field became interested in measuring and understanding the human side of organizations. In the 1980s, organizational culture became a popular research interest and yielded multiple best-selling books. These early researchers often adopted the qualitative research methodologies, typically used by anthropologists, to gain insight into the culture of organizations. Organizational culture often serves as the reference for *unwritten rules* in organizations, rules that new members must learn and obey (or risk being ostracized), and that fully acculturated members do not violate.

Definitions of Culture

Researchers from the 1950s described culture as a transmitted pattern of values, ideas, and other symbolic systems that shape behavior. Moving from a definition of general culture to the specifics of organizational culture, Schein (2004, p. 17) provides one of the most frequently cited definitions:

> a pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be con sidered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.

Schein's work highlights the key components most researchers agree on regarding organizational culture while Cooke and Szumal (1993) note that most definitions of culture share a common theme "organized around the behavioral expectations and the normative beliefs of individuals in an organization" (p. 1301). The Ethics Resource Center (2007, p. 9) gets right to the heart of applied culture by including in their definition the comment that ethical culture "sets norms for employee behavior and tells employees how things really work in the organization."

Reviewing the existing definitions of culture yields some insight into the incredible strength a culture maintains over an organization's members. Some researchers hypothesize that members of an organization invest a fair amount of energy into making sense of their organization's culture. This level of investment makes sense as the organizations people belong to typically provide financial means or fulfill personal satisfaction needs. Thus, we can assume the level of investment in organizations is high; therefore, the potential power of the culture over our behavior to sustain these needed connections is also high.

The study of these definitions and the research that supports the multifaceted understanding of culture over the decades yields the following amalgamated definition of organizational culture: a singular and *pervasive set of val ues and beliefs shared by the members of an organization*. New members of the group receive socialization to acculturate them into the highly homeostatic values and beliefs. Culture exists as distinct from but related to climate, and while multiple climates may exist within an organization, solely one culture reigns.

Only One Culture per Organization but Multiple Climates Can Exist; Why the Discrepancy?

The discussion of climate stated that multiple climates can exist within a single organization, while culture was identified as a singular force throughout the whole organization. To help understand these concepts, imagine an overriding culture directing the behavior of the organization as a whole, while various climates exist within each department of the organization (e.g., within the accounting department vs. within the marketing department vs. within the food service department). Weather patterns provide an easy analogy for this discussion. During the season of summer in the United States, it can simultaneously rain in the Rocky Mountains and be sunny throughout the Midwest. In this example, summer is analogous to culture, while rain and sunshine are analogous to climate. There is one season with multiple expressions of acceptable seasonal weather. To extend this example, we can further illustrate some of the confines of culture.

The weather expressions in our example, while varied, all present as within the acceptable tolerance of the season. Culture and climate share a similar relationship. Just as one wouldn't expect snow and freezing rain during the summer, one also wouldn't see a Wall Street investment banker wearing shorts to a business meeting. Behavior that is outside the norms of the culture typically only occurs once due to the strength of the culture within the organization and the homeostatic tendency of organizations to rebalance. If the Wall Street banker wore shorts to his meeting, it might be his last meeting as he may be fired as a result. Or perhaps, he would wear them as an outward expression of disdain for the predominant culture if he was planning to quit his job. In other words, it takes extreme circumstances to see behavior that flows against the cultural norms, and those who violate the norms are often punished or leave the organization of their own accord.

As the weather example highlights, multiple climates may exist within an organization. Researchers have studied these varying climates within organizations to identify clusters of persons sharing common perceptions. Stated another way, climate research has evolved into research with a particular referent. Examples of this include the study of climate *for* service, *for* safety, *for* ethics, or *for* the adoption of best practices. These types of studies examine climate as the shared perceptions of an organization's environment. Recognizing that different climates use and maintain distinct characteristics for accomplishing certain tasks can serve nonprofit leaders well. Depending on the nature of an organization, a nonprofit leader may wish to shape the organization's climate differently. The judgment would be based on the identified best practices for that particular climate type to best accomplish the organization's mission.

To provide a balanced history in this chapter, it serves as important to note that the writings of theorists who identify multiple cultures occurring within a single organization do constitute some of the literature. However, upon closer examination of the studies indicating this assertion, one can easily reclassify the multiple culture types into subclimates. Framing the work in this manner, the few theorists who claim multiple cultures exist within a single organization ultimately lend strength to the theory that organizations may have multiple climates but only one culture. For the purposes of this chapter, the understanding of culture as enduring and solitary within an organization and climate as more variable, with the ability for multiple climates to coexist, shall be used. This definition represents the most popular view in the literature, and it is the basis for introducing an integrated notion of social context.

Summary of Climate and Culture Definitions

As noted, climate and culture exist as related concepts with similar definitions. Thus, a summary of the information presented thus far may be helpful to the reader. Research on the subject of organizational climate evolved first and much earlier, but it was surpassed in popularity by research on organizational culture in the late 1980s. The study of climate and culture exists with great disparities within their definitions, and scholars exist on all sides who advocate alternately for merging the concepts, keeping them distinct, and for evolving them into an integrated approach with a new name. The level of disagreement may cause distress and confusion for the novice reader on this topic.

However, out of the chaos, clarity will flow as scholars discuss, debate, and move the conversation forward. Kuhn (1996) emerged as among the first to recognize the ferocity with which scientists and researchers hold on to what they identify as "known" or traditionally supported—even when confronted with overwhelming evidence to the contrary. Considering Kuhn's ideas, scholars can recognize the current state of confusion as progress, because the prior clarity only remained by virtue of rigid definitions and boundaries. Growth and advancement of the field will occur as researchers add to the body of knowledge through multilevel research, unrestrained by historical confines. Ultimately, the field will gain a greater understanding of the social context and the ethical dimension of organizations.

One can already note the progress achieved within a relatively short time frame (150 years or especially the last 3 decades) as the field of organizational behavior and an understanding of social context was first speculated about and then nurtured into an established field of study. The fact that an understanding of climate, culture, and the terminology to describe them has thoroughly been integrated into the lexicon of executive managers and academic scholars alike serves as readily observable evidence of this progress.

Knowledge Is Power: Why Understanding Differences in How to Measure an Organization's Social Context Matters

Scholars describe organizational climate and culture throughout the literature as among the most powerful constructs researchers can use to understand the human (expressive and communicative) component of organizations. However, in spite of this stated power, limited agreement exists about how to best define, measure, and apply knowledge regarding these important concepts. The next sections of this chapter provide a brief introduction to evaluating research studies and to quantitative and qualitative research methodologies. This information serves to inform the reader prior to discussing differences in measuring climate and culture within an organization and introducing two research works on nonprofit organizational ethics. The following statistical overview represents a minimum knowledge base for nonprofit leaders, and it provides a common background of understanding for the discussions in the coming sections of this chapter.

Reports of research and supposed best practices are often available an arm's reach away as most people readily have Internet access via a computer or smart phone. This easy availability presents the opportunity for accessing an incredible amount of information about any given subject 24 hours a day. Great, right, but with so much available, how do we evaluate the quality of the material we access? It serves as an important question when one considers that research often factors into program decisions, funding decisions, and grant decisions. As such, it is imperative that the research we use to inform our decisions is statistically sound.

Nonprofit leaders must possess the ability to evaluate the information they obtain, and that is presented to them. This means acquiring an understanding of basic statistical practices in order to perform due diligence when considering material that could affect the organization. Without adequate knowledge, nonprofit leaders place themselves at the mercy of those who publish studies and research. The next paragraphs provide essential information regarding five important topics to consider when evaluating research: (1) the sampling process used, (2) the statistical validity, (3) the statistical reliability, (4) the funder of the research, and (5) the source of the publication.

When considering the sampling techniques of a study, the questions you should ask include the following: (1) Did the researcher take steps to ensure an adequate size sample was gathered to support the claims made in the report? (2) Was the sample representative, meaning, did the sample make efforts to ensure its demographic characteristics were a close match to the population at large? (3) Was the sample randomly selected, meaning, everyone had an equal chance of being included? If any of these strategies were not used or not disclosed, it raises a warning flag about the quality of the study and the meaningfulness of its claims.

Statistical validity and reliability of research usually come in the form of a numerical value for quantitative research and a statement for qualitative research. *Validity* refers to the quality of a study measuring what it claims to measure. Multiple types of validity exist, although a discussion of them is beyond the scope of this chapter. *Reliability* refers to the ability of an instrument or survey to obtain the same results over and over again with repeated use of the research instrument.

To gain an appreciation for why validity and reliability are important, imagine that you take a math exam and receive an A grade. If the test is a reliable measure of your math ability, then taking the exam again would result in another A grade. If the math exam is not reliable, then you would be likely to get any grade, not the A that is reflective of your true ability. This example also relates to validity. If the math exam is not a valid test, then the grade you receive would not actually reflect your math ability. Thus, the grade would be irrelevant because the test was invalid. Stated another way, using a test of learning styles to determine math ability would produce a false result because a learning styles test is not a valid math test. From these examples, you can see it is essential that instruments measure what they claim to measure (are valid) and that they will achieve the same result every time (are reliable).

When a study does not indicate statistical validity or reliability, the ability of the research to show claims about the results is reduced. Alternately, when statistical validity and reliability are demonstrated, a study can indirectly bring about changes in the way we address social problems. This is *evidence based practice* in action: New research results prompt a change in the way social services are provided. As a nonprofit leader, the importance of being able to critically evaluate research and make determinations about its relevance to your organization's mission can be an important part of your role. Consider the following.

Imagine you determine statistically sound research results indicate a need to revamp the programs offered by your nonprofit organization. How do you deliver this information to your staff when they have spent years (sometimes decades) providing services in a manner now determined to be less effective by the new research report? This is when an understanding of your organization's culture will serve you well and help to ease a naturally difficult task.

To communicate necessary—but unwelcome—information and pave the way for changes with the least amount of resistance, you must understand organizational culture and its influence over people. Due to the high level of investment people naturally have in their work, research that contradicts what has been done in the past often is not welcome. You'll hear people express their angst about change and their level of investment through comments such as "but we've always done things this way." Without an adequate understanding of culture, organizational leaders can view employees who make these comments as stubborn. This view can bring about a battle of wills with the leader enforcing change that the staff resists evermore fervently. This represents a lose-lose situation for the organizational leader, the staff, and the people who receive services through your agency.

Instead, if as a leader you recognize resistance as a natural expression of investment and commitment, you can help ease the transition to a new way of providing services and turn a challenging scenario to a win-win situation for everyone. A leader might make the connections for the staff between a new behavior or process and the mission of the organization. By reminding the individual of their emotional commitment to the higher goals of the nonprofit, and then linking with a plan on how to achieve those lofty goals in a new way, the transition to a new way of working should gain acceptance more easily. This example depicts how situations can be handled in a respectful manner by skilled leaders. The plan as outlined is often certainly easier said than done, but the positive outcome it yields is worth the effort on all levels.

Returning to the evaluation of research, when making judgments about credibility, take a moment to note the funding source for the research and the type of publication where it is published. Knowing the source of funding can raise important questions or allay concerns about potential biases in the results. Consider this comparison and determine which study has a greater risk of being biased: a study funded by federal grants and conducted by researchers from multiple universities about a new medication versus research conducted by a pharmaceutical company to test a new medication it produces. While both studies may be valid, the pharmaceutical company conducting its own research has an inherent conflict of interest that must be considered as the results of the study are evaluated. This demonstrates why as the consumer of research you must ensure the needed steps to ensure quality steps were taken by the researchers and be aware of potential conflicts or biases. Considering the funding source can be a good place to start.

This segues perfectly to the final point about research: the type of publication. Research studies published in a peer-reviewed journal have the highest credibility standing because other experts in the field have reviewed and critically evaluated the study prior to accepting it for publication. This means potential conflicts of interest, poor methodology for studying the subject, and other problematic research studies have likely been eliminated from consideration for publication. Compare how you might view a study published in a journal that requires this level of a review process versus a brochure created by the person or entity conducting the research. The brochure or non-peer-reviewed publication lacks the previously described expert vetting process and therefore must be more carefully evaluated by you, the consumer.

The pharmaceutical company example extends well to highlighting this point. A report about the medication study conducted by the pharmaceutical company and published in a brochure created by the pharmaceutical company holds far less credibility than the federally funded medication study conducted by scientists from multiple institutions and published in a peer-reviewed journal, such as the *Journal of the American Medical Association* (JAMA). Attending to the credibility of research and reports that relate to your organization can help you adopt new programs as appropriate and avoid following scientifically unsupported trends when they are not warranted.

Awareness of the five factors described in the preceding paragraphs helps you to evaluate research whether you are an undergraduate studying a paper's topic or a nonprofit leader making program decisions or preparing for a grant application. Bringing the discussion of research evaluation back to the study of organizational climate and culture, the next sections discuss the differences in measuring climate and culture and introduce the notion of overt and covert expressions of organizational context. An understanding of these differences serves as important to the nonprofit leader for appropriately knowing how to assess and shape your organization to best achieve its mission.

Measuring Climate and Culture and Introduction to Types of Research

Researchers have historically measured climate through quantitative methods and culture via qualitative methods. However, a review of the literature indicates that qualitative, quantitative, and mixed-methodological studies of both organizational climate and culture exist. This may raise the question, what is the difference between a quantitative and qualitative research study, and why does a nonprofit leader need to know? The following serves as a brief introduction to the two primary types of research. The interested reader may wish to extend their knowledge of the five points previously described and the two types of research through an introductory statistics course or review of a statistics textbook. Understanding statistics will provide you with an invaluable edge in whatever career path you pursue.

Quantitative research refers to observable or measurable things that can be counted. Quantitative measures assign values to responses, for example, on a survey or questionnaire. The numerical values are then used to compute statistical results. Quantitative studies offer numerous pros to busy nonprofit executives wishing to assess their organization. A quantitative survey instrument often can be generated online and distributed via e-mail. This makes the process of gathering surveys, tallying results, and computing final answers easier and less time-consuming than extensive interviews, which are the hallmark of qualitative research (described in the next section).

The necessity of fixing your response represents the primary complaint about quantitative measures. For example, if a survey question reads, "On a scale of one to four, how satisfied are you with your current employment position," some people feel uncomfortable being forced to *quantify* their response. These individuals would prefer a qualitative assessment where their responses can be open-ended and *qualified*. For example, someone may wish to answer, "I am satisfied with my job, but I'd like a longer lunch hour." The nuance of that response can be captured in a qualitative interview and must be condensed to a numerical answer in a quantitative assessment.

You may have gathered some understanding of qualitative research from the description of quantitative research. Examples of qualitative research include an in-depth case study of one person or organization, interviews with open-ended questions, and phenomenological research, which aims at understanding the unique experience of someone. Qualitative studies attend to the nuance in the response of the person or group being studied and provide a forum for expressing that thought completely.

The pros of qualitative research include the completeness of results from the individuals who participate. The cons include difficulty getting large numbers of people to participate and the lengthy process of analyzing the results. These cons weigh heavily against nonprofit organizations when contemplating what type of assessment tools to use as nonprofit organizations typically have little time or financial resources to allocate to a lengthy assessment process.

The results of qualitative studies also can present significant challenges for making data-based decisions as a result of the assessment. Consider reporting the results from a quantitative survey where the same questions are asked of all people and their numerical responses can be averaged and reported versus reporting results from a qualitative survey with open-ended questions. If 15 people were surveyed with an open-ended question, you may well have 15 very different responses. This makes reporting and using qualitative data very difficult.

Both types of research serve a valuable role depending on the task you are trying to accomplish. Often, a mixed-methodological approach combining some quantitative and qualitative assessment is best. For example, when using a mixed-methods approach, you might choose to interview key people within an organization at the beginning of your study (qualitative assessment) and then develop a survey instrument to gather data from many people (quantitative assessment). In this manner, you collect comprehensive data and maximize the advantages offered by both research methodologies.

Thinking about quantitative and qualitative research reminds nonprofit leaders to attend to both the overt and covert signs of their organizations' cultures. By focusing solely on either manifestation, nonprofit leaders can miss early indicators of problems in time to make course corrections. Imagine, as a nonprofit leader, you are planning an organizational assessment to gain insight into the culture of your agency. You must consider the time required to complete the evaluation, who will participate, who will oversee the evaluation (someone internal or a third party), and what will the information be used for once gathered. These questions, along with ensuring one attends to both the overt and covert elements of the culture, represent an important part of planning the assessment process.

Consider the following example where only the overt signs of culture are measured. A nonprofit agency conducts an organizational ethics assessment and concludes that the organization is soundly ethical and adheres to the best practices related to ethics. Three months after the assessment, a major ethical breech occurs, and the nonprofit agency finds its story on the front page of the local newspaper. What happened? How could the assessment have missed the ethical risk factors within this organization? By focusing only on the observable, this ethics assessment used an audit format to check off a list of "best practices," and thus, the powerful covert elements of the culture were missed. The checklist contained items such as, does the organization have a code of ethics, are annual employee ethics trainings held, do employees pledge to behave ethically, and are key policies in place, such as a conflict of interest policy and a gift acceptance policy? While the items on the checklist represent best practices related to ethics, the presence of these policies and procedures mean nothing if the culture of the organization does not support its intent. The checklist approach relies on the assumption that policies and procedures are upheld and adhered to by the members of the organization. In our case example, this assumption was incorrect. The ethics assessment declared a state of ethical health, then 3 months later the true state of the agency played out in the ethical breech.

No matter how well written or how many trainings an agency offers on ethics, if policies and procedures exist in conflict with the culture of an organization, they are rendered ineffective. In the example discussed here, the daily practices of middle and senior management were in complete defiance of the code of ethics, and these individuals were not held accountable for their actions. In fact, because performance (ethical or not) was rewarded in this organization, sometimes violating the code of ethics actually was encouraged due to the performance outcome. Given that the lack of discipline for violating stated ethical standards was common knowledge within the organization, a culture of unethical behavior flourished.

This organization had the observable signs of being an ethical organization, but the covert cues contained within the culture were stronger and led the individuals to their demise via a major ethical scandal. Stated another way, by members attending only to the overt signs of an organization's culture and overlooking potentially critical information contained within the nuance of daily practice, an organization is placed at great risk for ethical problems. The strongest example of covert cultural cues within this organization included the history of undisciplined ethical breaches by management. As noted, this indirectly communicated to the rest of the staff that ethical misbehavior is acceptable within the culture—even though it conflicts with the formal code of ethics. In a case like our example, the organization's code of ethics is worth little more than the paper it is written on. Consider the fact that Enron had a code of ethics. Enron provides an excellent case study of how the overt cultural signs of an organization can conflict with the cultural cues that depict what is truly acceptable within the organization.

The preceding section highlighted how a seemingly thorough assessment of evidenced-based practices can yield an incorrect result. The next section reviews the current status of the scholarly literature on nonprofit ethics and discusses two premiere works in the field. These two empirical studies show both a strong emphasis on culture in the assessment process and in the recommendations for strengthening organizations. This emphasis represents an evolution from prior nonprofit assessment recommendations that used the checklist approach and attended only to the overt (or observable) elements of culture.

Empirical Work in Nonprofit Ethics

While a significant body of practitioner-focused research composes the third-sector literature, a paucity of empirical work exists overall and even less within the narrow field of nonprofit ethics assessment. The field presents as ripe with research opportunities for the motivated scholar, and a deeper discussion of this important issue is presented in

Chapter 93 of this volume. Two important works constitute the bulk of the available literature discussing nonprofit ethics: The *National Nonprofit Ethics Survey* conducted by the Ethics Resource Center (2008) and *The Nonprofit Ethics Survey: A Contextual Approach* (Barrett, 2008). The embryonic state of the field is evident simply by the recency of these two empirical works. However, both contribute in complementary and meaningful ways to the tools and knowledge important to leaders of nonprofit organizations.

The National Nonprofit Ethics Survey

The *National Nonprofit Ethics Survey* (NNES) published in 2008 provides a snapshot view of third-sector ethics based on survey data gathered through telephone interviews with employees of nonprofit organizations. The key findings of this report serve as a means for shifting the background information provided in this chapter from the theoretical to the practical by clearly identifying the impact of organizational culture on the ethical behavior of nonprofit employees. The key findings of the NNES indicate the following trends.

First, compared to the business and government sectors, the third sector has the highest percentage of organizations that rate as having a "strong ethical culture" per the survey interpretations. Additionally, more nonprofit organizations use an effective ethics compliance program—a characteristic the NNES shows as critical to organizational ethical health. In fact, the NNSE indicates in another key finding that "a well implemented [compliance] program and a strong ethical culture essentially eliminate misconduct and increase reporting [of violations] to 100 percent" (Ethics Resource Center, 2008, p. viii).

This means that students preparing for a career in nonprofit leadership must recognize the importance of structural elements, such as formal ethics programs, within their organizations. Skilled and knowledgeable leaders must ensure the ethics programs within their organizations are appropriately targeted, meaning different programs for different levels of employees and management, and that the ethical principles emphasized as important to the organization are consistently applied and enforced at all levels of the organization.

The second key finding communicates the power of culture on ethics within the organization as this chapter has discussed. As noted, the nonprofit sector reported the highest number of organizations with strong ethical cultures. However, the numbers have begun to decline (as compared to prior surveys conducted by the Ethics Resource Center), and the strength of those cultures has also decreased. This indicates a need for proactive leadership to identify the cause of these changes and the downward trend of scores. Aspiring nonprofit leaders may enter a workforce with characteristics more like the traditional business environment than the nonprofit sector if this trend does not reverse.

Nonprofit organizations rely on ethical behavior and the perception of being ethical organizations for their viability. Thus, the time to identify and remedy the cause is limited. Students entering the field as executive directors, founders, and program managers must be willing to advocate for the health of the organizations they serve. Without the maintenance of strong ethical health, the organizations will likely suffer, if not fail, thus leaving the social need they were designed to fill unmet or increasing the burden on other similar agencies.

The third key finding indicates that midsized organizations have the greatest risk for experiencing an ethical lapse, and the number of midsized nonprofit organizations composing the nonprofit sector is growing. And the final key finding discussed here relates to how governance issues and perceptions of power within an organization affect the ethical health of nonprofit agencies. The NNES found that when comparing boards of directors across the three economic sectors, nonprofit boards of directors have the greatest impact on the perceptions of their employees both good and bad. While that authority can be harnessed and used to positively shape the ethical tone of the organization, the NNES also shows that within nonprofit organizations when employees perceive the board of directors, not the executive director, as the leader of the organization, there was a more than 20% greater reporting of misconduct and a more than 20% decrease in the belief that their organization has strong ethical leadership. This again serves as critical knowledge for nonprofit leaders so that employee perceptions of authority can be managed through good communication practices and transparency.

The concise nature of the NNES, the fact that its data set extends back several years, and that the survey has the funding and support to continue going forward makes it a must read for knowledgeable nonprofit leaders. Arming oneself with facts and information about the general trends related to third-sector ethics serve as a navigational guide in a world of limited resources and endless need.

The full report of the NNES and smaller reports of nonprofit data collected by the Ethics Resource Center through their "National Business Ethics Surveys" in prior years serve as excellent primers for nonprofit leaders. The trends over time and the easily digestible format of the reports allow nonprofit leaders to (1) understand some of the invisible forces of culture that may be at work within their organizations and (2) avoid placing themselves at risk for an ethical breech. The reports also provide practical information for building a strong ethical culture and identifying potential areas of risk. The NNES can provide a sector-wide overview to be used in complement with specific organizational information provided by the "Nonprofit Ethics Survey" described in the next section.

The Nonprofit Ethics Survey

Barrett's *Nonprofit Ethics Survey*, also published in 2008, provides an empirically supported survey tool for nonprofit organizations to conduct an organizational level ethics assessment. The information collected via the survey provides the leadership of a nonprofit organization with a data-based place to assess and understand the current status of their organization. The survey exists in a user-friendly online format that offers confidential assessment, easy data collection, and a comprehensive report of survey results.

The opportunity to compare results across levels of the organization serves as a key feature of the "Nonprofit Ethics Survey." All members of the organization respond to the same questions about ethics within the organization, which allows for a comparison of results by level. Thus, an organization can take note if discrepancies exist between the way the board members view the ethical workings of the organization and the perceptions line staff hold about the organization. Unidentified discrepancies set the stage for ethical lapses in behavior. Thus, while it may initially be painful for organizational leaders to recognize that ethical issues exist within the organization, it serves as far better to identify and correct them internally than to learn about them on the front page of the morning newspaper.

A proactive and informed nonprofit leader has the opportunity to synergistically combine the information provided by these two important pieces of nonprofit literature and truly shape and/or maintain the ethical health of his or her organization. Both the report and the survey instrument are available online. Please see the chapter's reference section for additional information. The survey can be accessed free of charge at www.sandiego.edu/npresearch.

Opportunities to Apply Your Knowledge of Social Context Now

The traditional process of acquiring an education often presents students with lots of theory and few opportunities to practice what has been learned. This pattern will continue if you've read this chapter or similar works as part of a class assignment and allow the learning to stop with the completion of your assignment (e.g., writing a paper, engaging in a class or online discussion with peers, or answering essay questions about the material). However, the subject of organizational behavior and social context affords nearly endless opportunities to immediately apply what you have learned. Taking time to practice and apply what you've learned through this reading will greatly increase your understanding of these concepts and help to develop your skills as a leader. The next paragraphs outline some immediate opportunities students have to apply their knowledge of organizational social context.

During college many students choose to join various clubs and organizations. These groups provide opportunities to see the dynamics and strength of organizational social context at work. Consider the cultural differences between social sororities and fraternities as compared to subject or service organizations by conducting your own observational study. Attend a recruitment meeting for Phi Delta Epsilon, the coed international premed fraternity, and a similar meeting for one of the social sororities or fraternities on your campus. You will see the culture of each organization being communicated to the new potential members from the first moment of contact. Some examples of communicating the cultural norms include the type of recruitment announcement (e-mails, posters, word of mouth), time of the meeting and location, what attire the current members of the organization wear at the recruitment meeting (casual, formal, displaying the organization's logo or name), the formality of the meeting (following Robert's rules of order, using a whistle to call attention, or being quiet until everyone settles in their seats and pays attention to the speaker), and how the selection criteria for joining the organization is shared (do they provide a list of required characteristics like minimum grade point average [GPA] and community service hours or a list of events where you'll be observed but without knowledge of what the organization is actually seeking). All of these elements initiate the process of communicating the culture or social context of each organization to new potential members. The new recruits then respond to the culture by either attempting to learn more and shape their behavior to fit into the culture or by recognizing their authentic selves don't fit into the culture. In the latter, an individual may make the choice not to get involved or perhaps decide to what degree to get involved.

The method of attending a meeting of an organization unfamiliar to you to practice applying your cultural observational skills can be effective. Trying to identify overt and covert examples of an organization's culture for groups you already belong to can be more challenging. As a member of a particular organization, you are often already entrenched and schooled in its norms and thereby blind to the overt or covert signs of the culture because it just feels "normal." This makes practice more difficult especially if you are new to the concepts of social context.

Opening your eyes and mind to messages about social context can be very helpful in understanding the dynamics of what happens in an organization and with practice can help you shape the direction of decisions to best serve the organization's mission. Over time, learning to assess the social context of organizations will occur automatically as you enter new environments. This can serve you in all aspects of life as it allows you to connect better with people. Noting the cultural cues when you walk into an office or agency for an internship or job interview can provide you with opportunities to show the interviewer how you would be a good match for the organization.

Summary

The discussion of social context throughout this chapter and the introduction of empirical tools and reports to assess and understand organizational culture provide a foundational knowledge base for the aspiring leader. To solidify the connection for yourself between theory and practice, try to apply the concepts within the organizational contexts currently available to you.

As this chapter has discussed, organizational climate and organizational culture constitute two concepts integral to assessing and understanding the contextual elements of organizational behavior. An overview of their definitions and evolutionary roots and an examination of their areas of confluence and divergence have been explored and provide a useful backdrop for understanding the ethical behavior of nonprofit organizations. Understanding these definitions along with a basic knowledge of how to evaluate research prepares you for a successful and rewarding career able to shape the dynamics of organizations you lead to best achieve their missions. Nonprofit leaders well versed in their understanding of organizational culture and open to the practical applications introduced by the two empirical works presented will likely find themselves better equipped to lead organizations with strong ethical health. As an effective leader in every setting, apply the knowledge you have acquired from this chapter to your everyday contexts and strive to be a lifelong learner in your chosen field.

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Marketing Issues

Who Is the Customer?

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One idea that all nonprofit leaders, board, and staff members need to embrace about the basic nature of customers is that people want to believe in and be a part of something greater than themselves.

> The market for something to believe in is infinite. We are here to find meaning. We are here to help other people do the same. Everything else is secondary. . . . [Your customers] want to believe in you and what you do. And they'll go elsewhere if they don't. (MacLeod, 2008)

People need to believe in something. A nonprofit's constituents must believe that the organization aligns its efforts to its mission and that it will do so as effectively and efficiently as possible using honest practices. Here, the role of marketing in the nonprofit sector becomes the development, maintenance, and enhancement of the organization's public perception, building and reinforcing the belief and trust that sustains it and gives it purpose.

If the old adage that "perception is reality" holds true, then it is imperative that the organization's marketing efforts first communicate truth, integrity, and trust to its constituents in all it does. In doing so, it can shape their beliefs and reinforce their trust in the organization, justifying its place in the universe and thereby supporting the reasons why it deserves to exist. Considering MacLeod's insight, marketing's role is to protect your customer's beliefs, managing perceptions while enhancing and building its reputation in a broken, busy world. Without organizational integrity, there is no reason to believe in your group and therefore no justification for your existence.

Ultimately, nonprofit marketing has to connect with, resonate with, and inspire its constituents. Unless you truly understand your relationship with your customers and honestly know the beliefs they hold about your group, you are lost. You must learn as much as you can about your different customer segments: their age, where they live, what they do for a living, their income level, what they like, what they don't like, their interests, and so on, using this information to develop the customer relationship and to connect the organization's mission and strategy to your customer's expectations.

Communicating Your Mission

The mission is the organization's reason for being. Knowing the mission will help align resources to strategies and will essentially direct the decisions of the board and staff as well as the decisions of the other customers. Everyone who has a stake in the organization, be they staff, board members, donors, volunteers, or beneficiaries, should have at least a general sense of why it exists, and the best way to do that is with a clear mission.

There is a danger in too broadly describing a mission. Too often, marketers see mission statements so incredibly vague that they may as well read, "we exist to provide the public with this, that, and the other thing." It's a decent start, but we need to unpack this a little bit. Are your services really for the entire public? If you work for a government agency, then the answer may be yes. But even then, you have to break down the definition of *public*. Are you looking at customers in a particular neighborhood, a particular socioeconomic status, those receiving a particular service? You must keep in mind that you cannot exist for everybody without doing so at the expense of somebody, so you need to start by identifying your various types of customers.

Identifying Your Customer Types

The organization has to identify the markets that would have the most stakes in the mission. Keep in mind that a nonprofit organization can have several types of customers, all with different types of stakes and interests in the same mission. Customers can generally be narrowed down to the following types: internal, external, service, and referral sources.

Internal Customers

Often, the internal customer is overlooked in the marketing plan, but his or her interest and involvement in the organization has tremendous impact on the fulfillment of its mission. The board of directors has a customer interest in the organization because they are the ones ultimately responsible for moving the mission forward, even more so than the executive director. The board members choose whether or not to serve the organization in this role, exchanging their time and finances, assuming legal risk for the organization, and so on—all in an attempt to serve the group and its other constituents. The organization's staff, from the executive director down to staff and volunteers, can also be considered customers. This group makes a conscious decision to work for the organization. Many of the nonprofit's employees choose to invest their time and talents into that specific organization because the mission and the work resonate with their personal values and beliefs. In much the same way, volunteers are internal customers because they also believe in the mission and view the giving of their time and talents as an investment in something bigger than themselves (Brinkerhoff, 2002).

External Customers

This group consists of individuals and entities that support the organization financially or through some other asset gift, such as bequests or endowments. Nonprofit organizations can receive monetary assistance from government grants to conduct work that the government would otherwise have to provide itself but does not because it is less expensive to outsource the work to the nonprofit organization. Foundations, similarly, support various nonprofits that have missions and goals that closely align with their values. Some organizations offer memberships, exchanging certain benefits (often in the form of discounts, members-only material or services, etc.) to those individuals or organizations in exchange for some type of service. Some of these organizations are set up as professional associations, and if they are large enough, they can support memberships to other organizations in the form of chapters or charters (Brinkerhoff, 2002).

Service Clients

Many people automatically know this group as the primary customer as they are the ones receiving the services of the organization. Typically, this is the group that the mission statement identifies (Brinkerhoff, 2002). This group, while primary, can most times be broken down into segments that need to be communicated to in different ways and/or be engaged differently from one another. For example, a church may well consider its primary customer to be its regularly attending congregation, with secondary customers being visitors. While the overall mission may be to teach church doctrine to its members, it will have to do it in various ways that accommodate each segment of its overall population to be effective in carrying out the mission. Some church bodies may have a sizable family population and therefore various customer segments. To carry out its mission of teaching doctrine, the leadership may set up youth programs for the various age groups, and in our example here, the leaders may set up programs to teach children of kindergarten through high school age and even college groups. The church may recognize a need then to establish a service for young adults or groups for married couples, singles, empty nesters, and senior citizens. Each of these groups has demographics unique to them and separate from the other groups, and yet they each are considered part of the church's primary customer. As uniquely different groups, they will have characteristics that are true and uniquely definitive of their group, and as such, those demographics must be considered when the time comes to communicate with and market to each segment. Furthermore, the church in this example must consider visitors (its secondary customers) and again identify and segment that population and consider from there how best to strategically communicate with those groups.

Referral Sources

Some of the most powerful allies for a nonprofit organization are the entities that refer others to your organization. These sources could be responsible for sending more donors or new partner organizations to your organization. For example, primary care physicians often refer their patients to specialty practitioners when the need arises for their patients. Without these referrals, margins for the health system would suffer and missions would come to a screeching halt. Referrals are the lifeblood of almost any organization. Identifying the referral sources in your own organization is crucial. Once you are able to identify the various customers, you have to segment and quantify them (Brinkerhoff, 2002).

Segment and Quantify the Markets

Segmenting the various markets your organization works with is crucial to helping you understand how to craft the marketing message across various groups. Taking another look at our earlier example of the church and its primary customer segments, it is safe to say that it should not use the same type of marketing to appeal to youth as it would to senior citizens. What connects and resonates with one group may not appeal to the other, even if they have a common interest. Similarly, the marketing your organization does to reach donors will attempt to connect with their values in a completely different way than it would with service customers. This may sound obvious, but it is unfortunately common with many nonprofit organizations.

To properly segment your customers, identify the different constituency groups that make up your organization's customers. Develop profiles for each group in a way that adequately represents the primary characteristics of that group. Then, develop measures of segment attractiveness based on how closely the wants and needs of this particular group align with the mission of your organization. Keep in mind that while your organization wants to serve all of your various customer segments, in order to manage and track an efficient and effective marketing campaign, you will not be able to cater the same message to every single group.

There are certain truths and characteristics within any market segment. For starters, each segment is mutually exclusive, meaning that one group is not like any other. While there may be some similarities, there are clearly defined differences between segments. Segments display a level of *customer life cycle*, meaning that there is a certain point in the lives of that group where they simply do not need your organization. Consider it a type of event horizon in which the segment finds itself above or below a certain line where it does not make logical sense for them to seek your organization's service or for your organization to pursue them as a customer. Segments are measurable, meaning that its demographics can be quantified or categorized and can be averaged out to create a "picture" of the group's dynamics that would be mostly true of everyone in that segment. Furthermore, *segments are reachable*, meaning that there is a way to connect with them. Consider a nonprofit organization that serves adults that cannot read. Developing marketing collateral full of text or pointing this segment toward the organization's website would do little good, and thus, other media avenues or referral sources have to be pursued. Granted—this is but one customer segment for this organization. Other customer segments exist, necessitating more relevant tactics. Consider your segment, consider your organization's goal, consider what will resonate with this group, and determine what action this customer segment should take; what do they believe, and what do you want them to do? This scenario requires thinking in broader terms than simply "marketing." It requires thinking in terms of communication goals. Segments are sustainable yet variable and changing, meaning that there is a staying power to a group or its condition. However, you must be sure that marketing plans are fluid to manage changes in the internal or external environments. Segments respond and act to needs and wants in ways that are unique to their groups (Brinkerhoff, 2002).

Your Target Customers

When developing strategic marketing plans, your organization should consider the primary target markets and look at each of those individually. Consider your strategic positioning with each group by identifying its values, providing a call to action, and developing a marketing mix for each target market. Look at secondary segments that contribute to the organization but require less weight for targeting and marketing dollars.

What Are Their Values?

It is terribly difficult for a person to change his or her values or beliefs. While individuals may like and welcome new ways of doing something (for example, communicating), the methods by which they do it are more apt to change (for example, texting friends as opposed to calling them). The value in communicating has not changed so much as the method with which it is done. Values and beliefs drive messages that connect, resonate, and inspire (Brinkerhoff, 2002).

Some values are *functional*, which essentially satisfies the questions, what will this thing or service do for me? Will it do what I want it to do? How well will it do it? Other values are *social*. Is there a social benefit in using this service? For example, if that service happens to be a membership in an organization, is there a social benefit? If it's a professional association, will that membership advance your career? If it's a family membership in the Young Men's Christian Association (YMCA), will your family befriend other families? Some values are *emotional* in nature: What is the emotional reward for participating with an organization? For example, donors may give financial support to an organization that works with sick children in third world countries because there is an emotional value for them in knowing that their support helps to provide health care, food, clean water, and education to children halfway around the world. In much the same way, many employees and volunteers choose to work for a particular organization based mostly on its mission. For them, the value is in knowing that their time and talents are being invested in something meaningful to them. *Epistemic* values primarily satisfy a desire for knowledge. A lot of museums and zoos rely on fulfilling this value for customers. For example, the Smithsonian Institution with its 19 museums satisfies the epistemic need for knowledge for millions of visitors interested or curious about American history, just as the Lincoln Park Zoo in Chicago provides knowledge about animals. Some values are *conditional*, meaning that sometimes a customer's choice is based on circumstance. Many of the nation's poor and hungry, for example, would rather not go to community kitchens for food, but their condition and proximity to the kitchen's location dictate their choice in using this service (Clow & Kurtz, 2004).

The Strategic Customer-Centric Marketing Plan

The marketing plan built around an organization's needs will ultimately fail. Everything the organization does, its very reason for existing, rests with the wants and needs of the customer. Therefore, keep the marketing plan customer-centric and be mindful that the plan will account for the various target markets identified earlier. Your organization's marketing plan must justify and support your organization's reason to exist and ultimately shape the belief of the constituents into something favorable.

When working with customer-centric marketing (Andreason & Kotler, 2007), consider the market you'll communicate with. Where are these people, and what are they like? What are their current perceptions, needs and wants, and will those variables change by the time your organization implements the strategy? How satisfied are the customers with the service your organization has provided? What do they believe to be true about the brand?

There are three distinct purchase phases wherein the nonprofit organization will interact and communicate with its various customers: the prepurchase, consumption, and postpurchase phases. During the prepurchase phase, the role of the marketer is to reduce the purchase risk for the customer, which, for example, could be to put a potential donor's mind at ease so she or he is more trusting of the organization and is therefore more likely to give a gift. It could be to increase the probability of receiving a donation. The marketer has to develop the corporate image while building brand equity and increasing awareness of the organization and its mission to any one of its customer segments. In the consumption phase, the marketer needs to enhance customer satisfaction and, at the same time, reinforce the brand in such a way that the customer repeats the desired behavior whether that is to give another gift or to reinforce the abandonment of a negative action. In the postconsumption phase, the marketer has to work to stimulate positive word of mouth among customers and reinforce positive repeat behavior (Clow & Kurtz, 2004). These individuals must also work to close *brand gap*, which is the distance between what the customer holds true about the brand and what the marketer wants the customer to believe. Brand gap starts when clients determine their perception of the organization, based on the lead marketing messages, is inaccurate. If the message does not align with the deliverable goods or services, then all the clever marketing in the world will be ineffective. The clients will think the organization is lying and that has to be experienced only once for them to never trust the organization again, to go to the competitors, to withhold their gifts, to reject the program meant to support their rehabilitation or to help them learn to read, and to tell others how much that organization let them down.

The Marketing Cycle

Marketing is not a one-time event. Rather, it is an ongoing process. It is continual, constantly working to improve, connect, and reconnect with customers using improved methods to reinforce the organization's relevance over and over again. Market cycles are exactly that: cyclical. You never launch a marketing campaign once and expect to achieve your goal. Marketing is relationship management, requiring frequent communication. Your organization has to remind customers that it's there, listening to them, changing if it has to, and offering them something in return for choosing your organization. The first step in the marketing cycle is (as discussed earlier) market definition and segmentation: knowing your target audience. Remember that the wants and needs of markets change continually, and the marketer has to constantly reexamine and redefine market segments. Marketers must do research and ask all the questions. Next, the marketer compiles and presents his or her findings so that the service design can be altered in such a way that it fits the wants and needs of the customer. The organization that refuses to change to accommodate its customers will lose them. From this point, the marketer helps her or his organization set their price or understand the value of the organization among its constituents. If the customers do not perceive the value, they will simply go or give elsewhere. From here, the marketer can promote and distribute the marketing message, but the job is far from over. She or he then has to evaluate the effectiveness of the campaign to see if the work produced is meeting the goals and supporting the mission. Once a proper evaluation has been performed, it is time to start all over again using the data gathered to sharpen and adjust the next marketing plan (Brinkerhoff, 2002).

The Integrated Marketing Mix

Many organizations now use an integrated marketing mix to promote their messages. While not every component of the traditional marketing mix has to be used for the organization's marketing efforts to be effective, most organizations will at least use a combination of components. For instance, most organizations will use direct mail as their primary method for distributing their messages, in the form of mailed letters, invitations to events, newsletters, holiday greetings, invoices, and so on. Advertising (print, radio, billboards, etc.) remains a strong component in most organizational portfolios, but advertising on a massive scale is very expensive, and the results are often difficult to track, whereas direct marketing tends to give better results per dollar spent and makes tracking campaign results easier. Building and maintaining a website is a given, considering that a vast majority of donors visit the organization's site before making the decision to support the group and its mission, mainly because websites give more information than is typically available in other formats. Caution: The content on the website has to engage, connect, and resonate with the primary customer segments, and it has to change. Websites have to virtually live, breathe, grow, change, mature—they have to give the impression that the organization itself is active and involved. Websites are the virtual embodiment of the physical organization, and if the site is stale and unchanging, then that will be people's impression of the organization: lifeless, tired, boring, and ineffective.

Every organization must also be prepared to incorporate public relations (PR) into its marketing mix. Depending on your group's niche in the nonprofit world, your organization may or may not always need PR. Keep in mind that PR is not just for crisis management, though that is one aspect of it. Think of PR more as the organization's representation to the news media. The news media can be an organization's best friend or its worst enemy, but they're more often like the great aunt who seldom visits—and every time she does, she wants to hear how you're doing, what's going on, what happened, what you did (or are doing), and so on. Using a PR team internally or hiring a PR firm can be the difference between whether or not your organization will make the news and *how* it'll make the news. Leverage public relations as an instrument to tell your organization's story to the world, and remember that your customers are listening to (and often believing) what the news media are telling them.

Some organizations are sizable enough to have a community relations (CR) team, which is the company's representation to the community and business leaders. Some groups need the immediate community's support more than others, and some groups need favorable government relations in order to move their mission forward. For example, a hospital's leaders may want to add a wing for treating cancer patients but they face concern from the neighbors in the community about construction traffic and noise during the building. The CR team can help maintain favorable connections and reassure community leaders of the treatment center's benefits as well as ease tensions with neighbors.

Remember that nonprofits have internal customers as well, and those internal customers often interact and engage with external customers. Therefore, it is imperative that marketers help everyone organization-wide understand that everyone is on the marketing team. The directors, staff, and volunteers are the culmination of all strategic marketing efforts. These individuals send a message about the organization's brand when engaging with donors, clients, prospects, community leaders, and the public. Just as a tattoo brands its owner, so these representatives brand the organization and vice versa through correlation.

Developing and Using Marketing Collateral

Marketing collateral should be of the absolute highest quality. Marketing is often the first item on the chopping block when it comes to scaling back the budget. When events such as a recession or an industry-wide decrease in demand for a product or service happen, organizations pull back on their marketing and promotion because they are trying to be budget conscious. But what they are not being is strategy focused. When your group's competitors back off on their marketing, they leave a void. Suddenly, the odds of your group's message getting lost in the marketplace vanish. Competing messages subside. There is no longer as much talk in the marketplace about the types of services your organization or its competitors provide. Your group's customers will probably not notice that there is less being said—but they will notice when they hear something about what they want or if they hear something that connects and resonates with their beliefs. Nonprofit leaders have to be bold and demand that marketing should not be taken off the table for the sake of the budget. Rather, they should demand and work toward more effective and efficient marketing. Pulling back on marketing when funds are falling short is like firing all the salespeople of a department store until sales increase.

The organization has to connect with the customers. A marketing team has to continue to press its key messaging on the mission, focusing on and connecting with the various targets that make up the customer base. The messaging has to be to the point, communicating the message using attractive design and providing references for the audience, sources for more information, and the crucial call-to-action (What do you want the customer to do now that they've heard your message?). Your marketing team has to be careful to avoid a lot of things that don't make sense for the customer. Consider their point of view when crafting the message and factoring it into the integrated marketing mix. Avoid industry jargon, asking for money outright, giving history lessons, using out-of-date materials, and otherwise boring the customer with information they do not want. Cut down on brand confusion by tying everything together in the integrated mix with a common look and feel to help maintain a consistent brand (Brinkerhoff, 2002).

Branding and the Customer

Many people think of branding as a logo, identity, service, or product the organization produces. It is not. "A brand is a person's gut feeling about a product, service or organization. . . . It's not what you say it is. It's what *they* say it is" (Neumeier, 2003). In today's environment, the best way to build the brand is by building the trust that customers have toward the organization, since trust is the underlying factor in most purchasing decisions. Trust comes about when an organization proves its reliability to its customers and delights them with service by exceeding customer expectations.

Branding differentiates your organization from your competitors' in the minds of the customer. What do you want to be known for? Who are you, what do you do, and why do you matter? There are nine basic market positions that organizations typically aim for when branding: *best selling, only, best known, easiest, most complete, fastest, most powerful, newest*, and *most affordable*. The nonprofit organization that is successful at branding will have differentiated itself from similar organizations by focusing on purposely being different, by being innovative in its creative marketing approach, and by engaging with the customer in the marketing process with dialogue. Without the customer, without the conversation, without the brand, there is no tribe, and marketing today is all about building tribes around the brand (Neumeier, 2003).

The purpose of branding in the nonprofit realm is to convince more people to continually support the organization with larger gifts over the course of time or to encourage more volunteers to give their time in increasing increments or to maintain highly qualified and efficient staff who work more and more effectively and move the mission forward or to encourage more foundations to give more next year over this past year . . . on and on. But none of that will happen if the perceived trustworthiness of the organization diminishes—if the brand is tainted. Therefore, protecting the brand means engaging the customer. As MacLeod (2008) puts it, "the future of brands is interaction, not commodity. It's not something you buy, but something you participate in. . . . A brand is not a thing, but a place." If customers are participants of the brand, then organizational leaders and marketers are really stewards of a brand that, for all intents and purposes, is actually owned by the customer. A nonprofit's brand equity is determined by its customers' belief in its value.

Engaging the customer means your organization's staff must be a willing recipient of brutal truth. The members must engage and ask. Only 1 of every 25 customers with a complaint actually takes the time to complain. The rest start looking elsewhere to get what they want. To them, the brand lost its value when they lost their trust (Neumeier, 2003).

Social Media and the Power of Groups

Remember: Marketing has to connect, resonate, and inspire. And the only way it can do that and show that it is doing it, is through messages engaging the customer. Social media, such as Facebook, MySpace, Twitter, and others, have altered the way people connect with one another. Many marketers have begun to leverage groups on sites such as Facebook because they recognize a common thread among the people there or because it is one place where individuals can wear a virtual tattoo of sorts by becoming a "fan" or joining a group that follows particular products, causes, events, missions, or brands and thus can be an influencer on those the individual is connected with. Entire groups spring up on these social sites that connect college alumni, breast cancer survivors, fans of television shows, church (small groups), marathon runners, and so on. The thing about social media is that marketing people have to be careful not to label it "marketing," even though we as marketers are the ones working the hardest to leverage it. Instead of wrapping social media into the typical marketing mix and leveraging market, we should *lead* and lead with an idea the group supports and demands. The group already has an interest and perhaps even a mission to change something. All the entire group needs is a way to communicate and someone to lead—which brings up an interesting thought about leadership and tribes and missions: "Leadership is service for the sake of the led. It is not about having your own way. It is about promoting an idea for the betterment of a group" (Achievement, n.d., "Desmond Tutu"). If that is true, then marketers have to adjust their mental role and look at their responsibilities as something more than just "marketing." Marketers have a responsibility to become thought leaders and encouragers.

Keep in mind that these groups, these *tribes*, will not follow an organization's message on a social medium simply because the organization has a Facebook page. Marketers have to lead the tribe with an idea, a belief. And even then, the tribe may not like your group's idea and will want to go in a new direction. It will be up to the executives and the board whether or not to follow the direction of the group. As leaders, marketers are responsible for guiding the tribe in the right direction.

Social media will continue to evolve. Marketers must leverage the relationships social media have helped create by rallying the tribe to action. When the idea or story behind the cause is interesting, it engages, and it spreads. Marketers have to empower the organization's constituents to have impact, helping the tribe transform its shared interests into passionate goals, providing tools for the nonprofit to tighten their communications, and leveraging the organization to grow and gain new members on behalf of the cause. The power of the tribe is that it can and will change or adapt to get what it wants with or without your organization.

Therefore, marketers as leaders must be somewhat flexible to the wants of its constituents, anticipating the shifts within the market before they happen (Godin, 2008). Leaders must help their constituents believe and trust in the organization.

Track It

Marketing is not just creative play at work—it is a social science that requires as much research as it does creative tinkering. Marketing should always follow strategy, and strategy is born out of understanding derived from research. Market research is essentially a study of human belief and behavior. There is a very real danger in overlooking the decision-making processes of your organization's constituents, and an organization risks alienating those it both serves and relies on if it ignores or fails to comprehend trends. You will only start to understand once your organization purposely makes outcome measurements a priority, but then, it must leverage and use the data to plot strategy.

Most nonprofit organizations do not like doing this. In fact, even in the for-profit realm, many marketers cannot adequately explain the financial return on investment the company has made. Although the financial understanding of marketing outcomes is important, the compiled data are often vague and do not always paint a true picture of cause-and-effect, especially because the integrated marketing mix has made it such that any one or a combination of any parts of the mix could have been responsible for generating the customer response. At best, financial results are vague. There are, however, nonfinancial indicators of how much impact the marketing is having on your organization's various customer segments, such as social indicators, which show the organization's impact at large. For example, one organization's mission may be to deter children in the community from joining gangs. After a marketing campaign aimed at children is launched, a social indicator of the marketing success would be the number of gangs in the area or the number of gang-related incidents in that same area. Another method is to use result measures to track the effectiveness of marketing. Here, marketers would measure tangible outputs in terms of organizational objectives. For example, a health care system with several primary care locations conducts a mailing to residents that are new to the service area. The mailing includes a phone number with a tracking extension unique to this campaign. The number of patient appointments made with that tracking extension would be measured against the cost of the campaign (Anthony & Young, 2003).

There are a variety of methods to go about research and tracking. A more hands-off approach is to gather the data from secondary sources, such as trade associations or research journals. However, simple surveys can reveal quite a lot of useful data. Some samples of common marketing surveys include customer loyalty and satisfaction, brand recognition or name testing, advertisement tracking, brand equity, buyer-decision process, positioning, and segmentation (to determine demographic, psychographic, and behavioral characteristics). However, simply reading customer-initiated feedback (such as formal or anonymous e-mails or phone calls) can be quite enlightening. There are some, such as Neumeier, who consider effective research to be done by simply observing your customers at all levels of interaction with your organization and its deliverable goods or services. "Focus groups were invented to focus the research; not *be* the research. The secret to audience insight is unobtrusive observation" (Neumeier, 2003).

The bottom line here is that although you may not like tracking, donors are becoming evermore demanding on how their money is being spent. Tracking the effects of the marketing components is crucial to understanding what is working, what is not, what shows promise, what needs to be done away with, and what connected with customers.

Summary

All of humankind is on a quest for meaning, for something to believe in. "As social animals," says MacLeod (2008), "we are happiest when we feel we belong to something much larger than ourselves. A faith. A movement. A tribe. A noble calling. A purpose-idea." Humanity's search for purpose and reason is what compels us to support organizations with high callings like educating inner-city children, feeding the hungry, fighting disease in third world countries, promoting culture through fine arts, sharing faith, or providing immediate aid to a city devastated by natural disaster. The purpose-idea drives our reason "why." We are here, we act—because we believe the state of things as they currently are can be continually improved. Human beings do not demand that things stay as they are. As people, as customers, we are all on a never-ending endeavor for change. As such, the unquenchable thirst for change begets the need to champion an idea that we can identify with and believe in.

The challenge for marketing and communications in the nonprofit sector is to purposely listen to the voices of those nonprofits serve while fighting our own urges to speak. The organization must be more concerned about the interests of its constituents than it must be about its own infamy; pride and narcissism must never lead the conversation. Nonprofit marketing must be used to connect an idea to a person's beliefs, to resonate with his or her values, and to inspire him or her to take action. As nonprofit leaders and marketers, we are really agents of change, as much servants as we are caretakers of a noble idea.

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Role of Nonprofit Leaders in Marketing, Positioning, and Public Relations

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For one to say that marketing is no longer a dirty word in a nonprofit organization is to state the obvious. True, not long ago, the nonprofit marketing function often doubled as part of the role of the public affairs or public relations persons or departments. But today, marketing is out of the closet in the light of day and relied on more than ever by nonprofits that are increasingly stretched and asked to increase and diversify non-dues revenue streams.

How can this be? Nonprofits are mission-driven organizations, not concerned with budgets and bottom lines. True marketing at its best is a predatory activity. This runs counter to the spirit of many nonprofits.

While some may think that marketing is a necessary evil that has corrupted the sanctity of those with Internal Revenue Service 501(c)(3) and 501(c)(6) status, nonprofit marketing is here to stay. Successful nonprofit leaders recruit marketing professionals to promote their mission-driven programs, to work with their media functions, and to increase their reserves.

General Marketing Technique and Terminology

Marketing is a combination of planning, creativity, data analysis, and selling. While sometimes an organization can get lucky with a million-dollar idea, most of the success stories have at least some element of these components. That said, one must not forget to respond to observations, and when appropriate, go with your gut.

Although professional marketers talk of a rigorous science to marketing, many of the key concepts are straightforward and common sense. I've listed a few common marketing actions and philosophies:

- *Return on investment (ROI)*. This is a simple analysis of expense versus revenue. Did the cost of the direct mail campaign (printing, postage, list rental, etc.) generate more revenue than a total of the expenses? What is the break even point?
- *Source codes.* To complete an accurate ROI analysis, one must track what generated the sale. This is typically implemented with a source code on the order form, with coded customer call in phone and fax numbers, and through web transactions. (Take note: Never let the collection of the source code data hinder the customers' transactions. Keep your eye on the ball to ensure a completed transaction!)
- *SWOT analysis*. To determine your direction, a critical part of your planning should be a strengths, weaknesses, opportunities, and threats (SWOT) analysis. If your organization plans to develop a publication, for example, take the time to consider these four characteristics of the product:

  By strengths. Why is your organization uniquely qualified to offer this product?

  By weaknesses. In reference to topic and content, is the publication part of a crowded field?

  By opportunities. Is there a gap or a niche that this new product fills?

By threats. Is this a time sensitive publication? Does the subject matter have a short shelf life? Can customers get this content for free somewhere else?

- *Four, five, and six Ps*. You may have heard of the Ps of marketing. While marketing projects can be broken down in various ways, the Ps seem to have the most fame:

  Product. A tangible or intangible product or service

  Promotion. Advertisements, direct mail pieces, billboards, radio spots, bumper stickers, and so on

  Packaging. The carrier of your product. Is your packaging easy to mail? Is it environmentally friendly? Is it part of the product itself?

  Price. How much you sell your product for

  Planning. Your strategy for success

  Public. Your targeted audiences

- *Marketing planning*. As part of strategic planning, marketing planning takes into account mission, goals, SWOT analysis, budget (expenses and projections), and evaluation. Marketing plans can focus on a specific product, service or event, or an entire organization.
- *The 80/20 rule*. This is a simple but powerful rule of thumb whose origins are credited to an Italian economist at the turn of the last century.

In marketing, the 80/20 rule suggests that the top 20% of anything generates 80% of your business. For example, on a restaurant menu, 20% of the listed entrées account for 80% of the orders. A total of 20% of your members use 80% of your services. And 20% of your product line generates 80% of your sales. When you focus on that 20%, your marketing becomes more effective. Don't forget to use the 80/20 rule for controlling expenses. A total of 20% of your efforts could be going out the window. What activities do you and your staff spend both time and money completing without reaching 80% of your audience?

- *Recency, frequency, and monetary value (RFM).* This is another method of determining your best customers and capitalizing from them. The theory is that your best customers are the following:

  The most recent (R). Who attended your last event? Who purchased subscriptions last month? These are active and engaged customers. Reach out to them and offer them something else. They are a likely buyer or participant.

  The customers that have the most interactions the most frequently (F). Which of your customers bought a book 2 weeks ago, subscribed to your newsletter last week, and bought a T shirt yesterday? Who attended every brown bag discussion group you held last quarter? Who visits your website every day? These are your "bread and butter," your loyal supporters. Don't forget them! They will lead you to your goal and offer new ideas and feedback.

  The big buyers (M). Who spent the most money in your bookstore? Who sent the largest donations? These customers have a budget for your activities. Know their budget cycles and time you outreach to them.

- *Segments and demographic profiles*. To better know your audience, the key is to break down its characteristics into segments. By doing this, you can tailor your organization's message increasing your chance of reaching the members of the audience. Applied to your lists and your audience, common segments include these traits:

  Gender

  Geography (often zip codes)

  Age

  Workplace

  Past purchases (does not need to be an actual purchase)

  Membership categories (as determined by your group)

- *Target*. Who is your audience (primary, secondary, and tertiary)? Determining your target audience is not as easy as it seems. Are your customers buying with their own money or with their employer's? Is your target an individual or a large institution? Who is the decision maker there?
- *Benefit*. An effective message or promotion *must* include the benefit. Why should I buy or participate? How will this benefit me as a consumer?
- *Call to action*. How can I order? When is the event? How do I register? What number do I call? What is the mailing address? *Essentially,* what next step do you want your target to take? Don't forget this!

Other Good Rules to Remember

Word of Mouth

Whether it is called *viral* marketing, *buzz* marketing, or *one to one* marketing (Peppers & Rogers, 1998), keep in mind that word of mouth is the most effective marketing method. There are differentiations between buzz, viral, and one-to-one philosophies, but at the core of each is a desire to unleash word-of-mouth marketing and build relationships.

How did you find a favorite restaurant? What about your hair stylist? Use testimonials and "bring-a-friend" offers in your promotional campaigns to maximize on the power of word of mouth.

Make Your Customers Bigger

The one-to-one marketing philosophy by Peppers and Rogers expounds on the purpose and power of the one-to-one marketing theory (Peppers & Rogers, 1998). Acquiring new customers is expensive and tricky to project. Implementing a turnkey response for your customers will help you to integrate a one-to-one marketing program in your organization. For example, if your group is an accrediting organization, you should consider selling your members the preparation materials for the test. This is also sometimes referred to as *one stop shopping*.

One-to-one marketing programs are very effective for nonprofits. This type of relationship building strengthens the members' sense of ownership with the organization.

An engaged and active membership base is extremely important to the future of your organization.

Make It Easy for Your Customers

When selling, make it as easy as possible for the member or customer to complete the transaction. Your organization's online registration process should have as few clicks as possible. You should be able to accept payments by as many methods as possible (within reason). You should have one toll-free number to handle as many of your constituencies' concerns as possible. Your staff should be trained to direct queries to the proper person who knows the answer.

Make It Stick

Stickiness keeps your customers coming back. What is stickiness? A loyalty program in which five card punches gets you a free cup of coffee. Airline mileage programs are also loyalty programs. Given two consistent prices and times, wouldn't you opt for the flight that gives you 500 more points toward a free flight? Stickiness can also create a much stronger pull. For example, if your organization is an accrediting organization and your members need or use this process for job advancement, they have nowhere else to turn. Consider developing a certificate program for your educational programs. Your attendees aren't the only ones who will benefit.

Planning

Strategic, business, media, and marketing planning are perhaps the most important and misunderstood functions of successful nonprofit leaders. Planning can be tedious, redundant, and off the mark. However, not planning is a terrible option. Consider driving a tour bus with paid tourists without a map, reservations, or ideas for destinations or time frames, using a credit card for funding.

Granted, many groups function successfully without more than a budget, but this is not advised. One would no doubt find suitable lodging, food, and entertainment for the tourists, but many pitfalls and expenses can be avoided with proper planning. The following definitions can apply to an organization, department, event, product line, or individual product. There is some overlap to these different plans:

> *Strategic plan.* Generally, strategic planning is at the direction of a board or the executive leadership. Strategic (or long term) plans are usually for between 5 and 10 year time frames. Their intent is to focus the direction of the organization while using the organization's mission and budget.
>
> *Business plan.* A business plan can also be written to guide for multiple years. A business plan comes out of the strategic plan and uses the organization or individual project budget to forecast success or failure.
>
> *Media plan.* A media plan directly addresses your organization's communication efforts. This involves print, television, radio, and Internet. It should work in conjunction with the strategic and marketing plans.
>
> *Marketing plan.* A marketing plan is derived from the strategic plan and usually a business plan (see Box 70.1). The marketing plan can also be organization wide or product or service specific. It is an analysis of sales strategies and promotions, underscoring the reason to buy.

These are definitions of traditional planning as part of for-profit companies. Most of this is completely applicable to nonprofits. However, there are nuances in the differences. The purpose of a for-profit company is to maximize profit. The purpose of a nonprofit is its mission. Keep these differences in mind as you work on your planning.

Box 70.1 Marketing Plan

I. Executive Summary

II. Business Description

   a. Short description of products and services
   b. Elevator speech
   c. Benefits
   d. Unique position statement
   e. SWOT
      i. Strengths
      ii. Weaknesses
      iii. Opportunities
      iv. Threats

(Continued)

(Continued)

III. Current Environment
  a. Overview of current market
    i. Product
    ii. Pricing
    iii. Distribution
    iv. Competition
    v. Challenges
    vi. Trends
  b. Services required by customers
  c. Changes in customer demands
  d. Successful marketing activities
  e. Marketing activities that aren't working
  f. Return on Investment, or ROI
  g. Profit margin

IV. Target Market
  a. Profile
    i. Primary
    ii. Secondary
    iii. Tertiary
      - Geography?
      - Industry?
      - Size?
      - Accessibility?
      - Decision makers?
      - Service gaps?
      - Underserved markets?
  b. Segments (using common characteristics)
  c. What does the customer want?
  d. Does our market segment need to be more specific?
  e. Does our market segment need to be broader?

V. Goals
  a. What do we want to accomplish? By when?

VI. Marketing Strategies
  a. Outline the programs and strategies to reach goals

VII. Tactics
  a. Outline the tasks needed for implementation of each strategy
  b. Outline how they will be measured

VIII. Budget
  a. Revenue projected
  b. Expenses projected

IX. Design
   a. What message do we want to convey?

X. Evaluation
   a. When and how can we determine success?
   b. How can we evaluate before, during, and after?
   c. Course correction?

Other Thoughts on Planning

Fluidity

All plans should be somewhat fluid and adaptable for unforeseen changes, such as those related to the economy, a hot issue, or the weather. Remember that course correction should also allow room for successes. If something works, do it again!

Analysis-Paralysis

As mentioned, planning is a key component to your success. But don't overdo it to the point where you aren't marketing. Sometimes you need to put the boat in the water to see if it floats!

Nonprofit Versus For-Profit

As touched on earlier, is the for-profit approach good for nonprofits? Always remember your organization's mission statement.

Getting Tactical

A major section of your plan is your tactics, your promotional tools. The following is a short list of promotional methods commonly used by nonprofits to get their messages to their audiences.

Direct Mail/Catalog

Although expensive, direct mail still has its place. Effective direct mail can be a postcard reminder for an event, a brochure promoting your organization's products and services, a fundraising letter, a conference program that details the upcoming sessions, and a product catalog that features all of your publications.

If your organization's product line is large enough to create a catalog, you certainly do not have to have only publications or only professional education programs. You can and should mix your organization's products and services. This is not to say that a publications catalog should devote half its space to a meeting program; however, a list of upcoming meeting dates for the next year could increase the shelf life of your catalog.

Use the piggyback approach as an effective and inexpensive method of reaching customers. Create flyers or stuffers to include in your dues notices or in your outgoing packages. You will save money on postage by already knowing that the recipient is interested in your products and services.

E-mail

Clearly, an inexpensive and quick way to get your message out is e-mail. That said, most professionals today are inundated with e-mail; therefore, your e-mails need to be relevant, strategically timed, and compellingly written with a clear call for action. Take the time to ensure that your subject line is informative with the intent of pulling your recipients in to read more and act.

Definitely, test your e-mail message before sending. Do the links all work? Do the images transfer as intended? You may want to send the test e-mail to more than one e-mail account on various browsers and platforms to properly assess it.

A relevant concern should be the CAN-SPAM Act of 2003. While you may not be in any danger of running afoul of the law, the CAN-SPAM Act has specific rules regarding claims your organization makes in the subject line, where your group gets its e-mail lists, and how it handles requests from recipients to unsubscribe from future e-mails from you. (See http://www.ftc.gov/spam for more and updated information.)

Advertisements

Print

Advertising in periodicals is expensive, creating a high break-even threshold. Additionally, a successful advertising campaign should be sustained for at least 3 months. Also, advertisements are difficult to track to arrive at an accurate ROI.

If your organization has an opportunity to swap an advertisement with another nonprofit, you both can reach new audiences for virtually no cost. Use ads in your own organization's publications to market your events, products, services, and membership benefits.

Online

Along with much educational content, the current trend in advertising is online. This is less expensive, easier to track, and quicker to revise. The best online ads target customers by key words and link to your site.

Telemarketing

Annoying, but in the right market very effective, telemarketing has fallen a bit out of favor. Technologies such as caller ID and a shift to more cell-phone-based systems have hindered telemarketers' ability to get through to the customers. Of course, the "don't call" list has also empowered customers to opt out of telemarketing calls. (Read more at https://www.donotcall.gov.)

Telemarketing does have its place. Specifically, when marketing to institutions, such as hospitals or libraries, your nonprofit may find telemarketing effective. Fundraisers also rely on telemarketing. Work with your staff or outside telemarketing vendor very closely on your campaign. Ensure that the script is short and coherent. Run an initial test to determine if you need to make any changes to the script. Track the effectiveness of your campaign.

Internet

A later section of this chapter will detail Internet communications more closely. However, your Internet presence should be consistent with all your print materials. Ideally, your organization should offer its products and services in a variety of ways including via the Internet.

Media

An effective media, or communications, program does not happen overnight. One must devote considerable time and effort to developing relationships with reporters and writers. Answer their calls within 24 hours—if not sooner—even if you cannot assist them. They work on tight deadlines, so be sensitive to their schedules. After you have a relationship, pitch relevant story ideas for future articles. Reporters may suggest variations on your theme, and you should be open to their suggestions.

What is news to you and your organization—a new publication, an increase in membership, a new publication release—may not be a newsworthy story. What is a newsworthy story? Readers enjoy human interest stories. For example, a story about your organization working with another organization on a grant-funded project is boring. But if you can tell the story of how the child of a single mom benefited from a mentoring program, you'll pull the reader in to want to learn more. Now, if you incorporate ways that others can get involved with your organization for this year's effort—such as volunteering to mentor—then you have a story.

The current climate for newspapers is bleak. Many newsroom staffs have faced cuts in coworkers and resources. The more you can do to help the reporter, the better your success in landing a story. Be sensitive to the fact that many reporters are wearing more than one hat. Don't inundate them with unnecessary and irrelevant press releases or e-mails. This is a quick way to land on a reporter's "pest list."

Data

With the advent of personal computers and web-based data systems, current, accurate, and accessible data are readily available for marketers. Be creative with your existing data. Would your recent conference attendees be interested in your next event? Or would they be interested in your organization's new publication release?

Buying and Selling Lists

Many list vendors and list brokers are ready to help you with your marketing campaign. Ensure that your purchased lists are current. Test with a smaller percentage first. Conversely, your lists may be of interest to other organizations creating another revenue stream for your organization. This would include your members and nonmember customers. Be mindful and respectful of what you do sell. Remember that your competition can "steal" your members if you make this information public.

Internet Communications

The Internet is everywhere in our society today. Whether at work or home, much of your audience shops and works—both personally and professionally—online. Your organization's Internet presence starts with your website. Is it useful for your audience? Can users easily register for a course or quickly find information they seek? Does the design follow your organization's style and brand? Can you track users' actions—what brought them to your website, what are the most popular pages, how long did they visit your site, and on which webpage do users most often leave?

URL

Is your uniform resource locator (URL) easy to remember? Is your "ideal" URL owned by another group? Should you change your URL to a more memorable address?

E-mail

E-mail marketing was detailed earlier. However, an important point to remember is that the goal of your organization's e-mail campaign is to cause the recipient to act. This could mean to register for an event or to purchase something from your nonprofit. These transactions should take place easily and seamlessly on your site or a third party's website.

E-newsletters

More and more groups use e-newsletters instead of hard copy newsletters. This saves time and money on postage and printing. That said, many people will still print your group's newsletter and read the hard copy on the bus, train, airplane, or at home. Ensure that readers can easily print out your e-newsletter (perhaps in a Portable Document Format [PDF]) so that they can read the hard copy later.

A growing trend in e-newsletters is in the formatting itself. Consider offering a series of headlines with blurbs that pull readers to your organization's website if they want to read the entire article. This will help increase your web traffic. Readers may want to participate in other organizational activities while on your site. If you sell advertising on your site, you can charge more for increased web traffic.

Another benefit to pulling readers to your site regards revisions and updates to the article. If the article is on your website, you can make changes or enhancements directly and quickly. If it's in the body of a newsletter, you will be forced to transmit a correction.

Stores and Meeting Registration

Whether it is on your organization's own computer servers or handled by a third party, consider offering an e-commerce function to your website. This could include a store for your publication offerings and the ability for users to register for an event. Ideally, your members could renew or reactivate their membership and update their status.

Meetings

In addition to conference and seminar registration, more groups are offering web-based learning, or webinars. This could be a one-time live event or an event stored on your site that is always accessible. Offer visuals such as video and charts and graphs. Remember: the more interactive, the better. Allow your participants to ask questions.

Social Media Marketing

Social media marketing is online community building through tagging photos or articles, blogging and microblogging, and developing videos for online dissemination. The purpose of social media marketing is promotion, finding your "birds of a feather," and creating a ripple effect to generate exposure and new business. Social media marketing is a fast moving vehicle with the big advantage of being inexpensive. Proceed with caution: Be sure not to mix inappropriate or potentially misunderstood comments or photos with your professional work.

Search Engine Marketing

Search engine marketing is the strategic purchase of certain key words that increase your prominence in users' searches. Pricing models of the packages vary by search engine and by key word. (See http://searchenginewatch.com for in-depth information.)

Search Engine Optimization

Optimization also increases your search engine prominence but by internal means. The strategic use of key words and metatags on your site can work to increase your organization's web traffic. (See http://searchenginewatch.com.)

Membership Marketing

For many nonprofits, membership dues are a key component to their budget revenues. While this is not always the case, many nonprofit organizations offer a membership package that includes reduced fees for products, services, registrations, and in most cases, "free" resources as part of their member benefits' package.

Member Benefits

Part of the marketing professional's job is to help craft and define the member benefit package. As a member of your organization, what will I receive? Many groups offer a newsletter or magazine to inform members of issues in their particular field of interest. Newsletters and magazines are oftentimes an open forum for members to discuss issues affecting the membership.

A national accounting association may have a state legislative roundup of regulatory items that are affecting its industry. A newsletter or magazine is also an excellent source for job hunters and seekers. Newsletters can help to promote and market upcoming events, new publication releases, membership pushes, and other services that membership in the organization may offer. More and more, we are seeing a move to electronic newsletters and magazines because of increasing costs for postage and paper. Many groups have also embraced a more environmentally friendly posture and done away with their "deadwood" magazines and newsletters.

Keep in mind your membership demographic: older or less computer savvy members may want to receive a hard copy publication. Also, members who live in areas who can take advantage of public transportation may also appreciate hard copy periodicals and in fact do most of their reading while on the train or bus. While readers can always print a copy to read while traveling, it may be prudent to offer members their choice of format—print or electronic. Another key point is to know your members. A flashy magazine may not go over well with a group of volunteers. A dull and drab piece won't work for interior designers.

Group Benefits/Affinity Marketing

Many groups have partnered with for-profit companies for member benefit offerings. Popular offerings include affinity credit cards, discounts on rental cars, and insurance packages.

Be careful: Whether your group endorses the product or service or not, your members will see the relationship as such. Do your homework and have legal counsel review contracts before entering any of these arrangements.

Levels of Membership

Members are the lifeblood of many nonprofit organizations. Even if your group does not have members, one should consider an elite, or premier, status category for your customers. This keeps your known buyers, your key contacts, at hand and engaged. Many groups offer various levels of membership; these include some sort of variation of junior, full, and retired or nonpracticing. A few words about each level follows:

- *Junior or entry level.* Depending on circumstances, these members are often students, those who have not yet completed a board test or certification course or those new to the field. These members usually pay less for membership dues and receive fewer benefits. However, for the future of your organization, these members are very important to court, to engage, and to encourage feedback from as they have the largest dues paying future for your group.
- *Member.* This is your rank and file full voting member. These members usually pay full price and receive full member benefits, including discounts.
- *Senior members or member emeritus.* These are important members to keep engaged in the work of your organization. They generally pay discounted membership fees and do not receive all the benefits of the general membership.
- *Institutional membership.* This can be a broad category of bulk membership that allows an entire company or department membership and access to member benefits.

Membership Drives

With membership comes a membership season for the following activities:

Recruitment. An effort to target and enlist new members. Some key questions to successful recruitment efforts include asking, Who are your current members? Where do they work, live, or otherwise fit with your organization's mission? What is your current penetration of these members in the universe? That is, of the potential members who could join, how many are signed up to support your organization? As a recruiter for your area's candle making society, do you know how many candle makers are in your locality?

Retention. An important effort to maintain current membership levels. One important question for successful retention programs is, who is actually paying for the membership? Is it the individual or the individual's employer? If it is the employer, is the membership tied into a budget cycle? Also, concerning retention, it is important to know satisfaction levels of your members. This is most frequently done through an evaluation process, such as a membership survey. Regular surveys of your membership should reveal your home runs as well as your strikeouts. Feedback is important, and you may never hear from your members until it is too late.

Reactivation. This is a secondary effort that reaches out to past members who have lapsed. This category could be defined as a lapse of membership from 6 to 12 months.

Other common and proven membership marketing techniques include adding services (usually opt in) on the dues renewal correspondence to increase revenue. Knowing that word of mouth is best for marketing, many groups find success in a "bring a member" program. Asking your existing members to help in the recruitment effort may be well worth the one-time discount you offer her or him as a long-term strategy.

Most dues renewal efforts are done by regular mail, although one should expect to see—and offer—an online renewal program.

Conferences and Events

Many nonprofit groups produce conferences, seminars, and events as part of their core business. Depending on the organization, these activities are often central to the purpose of the group—the educational mission. Conferences and events can also be major revenue generators—or losers—for your organization.

Some organizations are known by their convenings and nothing else. This is a time to release policy statements, hold press conferences, and launch publications. Often, it is *only* at these meetings where you will have the chance to meet your members and constituents face to face. Whether developing a new seminar or curriculum, you should first ask several questions regarding content and logistics:

- Is our offering unique? Is there direct or indirect competition?
- Can we partner with another group?
- Should our offering be online or an actual gathering?
- Should we hire an outside company to handle the logistics of registration, onsite organization, and promotion?
- Should we hire experts for content development and delivery?
- Are there collateral materials for the attendees?
- How many attendees do we need to break even?

Registration and Logistics

Major meeting reservations should be made months, if not years, in advance to take advantage of discounted facility and housing rates. Be sure to promote future meetings at the current event. Also, publicize on your website, in your written materials, on your dues statements, and so forth.

Do you have the ability to handle your own registration or should you contract a meeting planner?

Planning Committee

Consider creating a committee of experts to help with the conference. Will the programming be developed internally? Will the programming be purchased by a third party? Will you solicit programming from members or consultants? What is your criteria for the solicited programming?

Sponsors and Exhibits

Will you offer sponsorship opportunities to vendors and other nonprofits? How will you recognize them? Be sure to be mindful of the appearance of the relationship of your organization with its sponsors.

Online

Will your meeting be an online webinar? If not, consider offering online highlights either via video or with written reportage.

Affinity or Partner Marketing

By working with other nonprofits, you can maximize your revenue potentials. Depending on the arrangement, you may also be able to cut some expense. Partnerships can be helpful if you are holding your meeting outside of your geographical territory. Consider the benefits of partnering with a local or neighboring group.

Offers

A common offer for registration is an "early bird discount." An advanced deadline will also help you to determine before the meeting if you are going to achieve your attendance goals. If you are behind in your projections, you may want to increase your marketing efforts and, if possible, decrease some logistical expenses, such as meeting rooms and meals.

Another effective conference registration offer is to "bring a friend" or a reduced rate for groups. This works for several reasons: You know the attendee has a budget for professional development, you know that your meeting content is relevant for the registered attendee, and you know that people like to attend events with coworkers and friends. Capitalize on this!

Publishing Programs

Other than meetings, distributing original content is a very common way many nonprofits choose to increase nondues revenues and communicate to the public. Additionally, publications can help to market your organization as a reference for many more years than would a direct mail piece or advertisement.

Your Expertise

What unique expertise and information can your organization offer to your audience? What will help the members of the audience with their work? Whether this is a technical research report or more hands-on suggestions, you may have something important to offer.

Many organizations have staff writers and committees of members whose purpose is to develop publication projects.

Print or Electronic?

Should you offer your publication in print, online, or both? Print is generally more expensive because of paper and inventory costs.

Print on Demand

In the past, printing was an even more expensive undertaking with minimums for print runs. Today, print-on-demand technology allows organizations the flexibility to print small runs.

Selling

Is this publication for sale? Is it free for members and for sale to nonmembers? Is there a possibility for a sponsored or bulk sale? However you plan, be sure to know your break-even point as a means of determining your format.

Promotion

Catalogs, online bookstores, meeting sales, and direct mail all work best for selling publications.

Spin-offs and Repackaging

Can you use some existing content to repurpose and create a new product? A seminar curriculum could be rewritten as a publication.

New Product Development

Always be cognizant of other publications in your field. This will help you to develop ideas for new products. Consider a questionnaire for your current users or customers asking for feedback and for new product ideas.

Positioning

Positioning and messaging of your organization is key to how you are perceived by your audiences and others. Let's run through some definitions of terms (Leet, 2007):

> *Strategic message.* A set of statements that prompts targeted audiences to take a desired action
>
> *Slogan.* A single catchy and evocative phrase
>
> *Elevator speech.* Spoken, not written, elevator speeches are interactive, generally answering the question, who are you or what do you do?

Your Brand

Your brand is bigger than your strategic message. Your strategic message is only words; your brand is your image, your logo, your editorial style, your colors, and your slogans. Branding correctly can be powerful; it can evoke strong feelings about your organization. Strategic messaging should be done internally with your staff and leadership. Branding requires outside surveying and feedback. Some things to remember:

1. Your messaging and branding should come out of your organization's mission statement.
2. After determining your brand and messages, it is important to be consistent. With images, never stretch or resize your logos. Never omit components of your logo to make it fit. Make sure your staff members have access to your organization's logos, style guides, and messages for their daily work.
3. You may have an established logo and message that needs freshening. Rebranding your organization takes a lot of work with a lot of buy in from your leadership, your staff, and members. You may want to convene a committee or task force to assist in this endeavor.

At this time, I should say that branding and message development is a difficult process to undertake. It's similar to deciding on paint colors or a favorite pizza restaurant: Everyone has an opinion (Leet, 2007).

Getting Involved

Many marketing and communications programs are part of the business schools of universities and colleges. What is an aspiring nonprofit communications professional to do? It is true that the business school has been the home for the marketing and, in many cases, public relations departments. However, many degrees are now offered in schools of nonprofit management. These programs all likely offer communications, marketing, and fundraising coursework.

An excellent resource for those wanting to follow a career path in the nonprofit sector is the Nonprofit Academic Centers Council (NACC). According to its website (www.naccouncil.org), NACC "is a membership association comprised of academic centers or programs at accredited colleges and universities that focus on the study of nonprofit organizations, voluntarism and/or philanthropy. Established in 1991, NACC is the first group entirely dedicated to the promotion and networking of centers that provide research and education in philanthropy and the nonprofit sector" (www.naccouncil.org, 2010, "Welcome").

Many traditional marketing associations and organizations such as the Direct Marketing Association (DMA), the American Marketing Association (AMA), and the Public Relations Society of America (PRSA) now offer coursework and resources.

A Word to the Leader(s)

Obviously, as a leader of an organization—whether the chief executive officer or a member of the board—you are fairly, or unfairly, judged by the actions of your staff. The nature of communications and marketing campaigns—proactive messaging efforts—is arguably "the face" of the organization. You should be able to trust your staff, of course. But be mindful that the public will judge your performance by the perception of your communications team, more so than by your education, meeting, membership, and fundraising departments.

Be sure that your messaging is on target: serious, when it needs to be; lighthearted, if appropriate; urgent, when necessary. A joke can easily backfire and cause more harm than if you had remained silent.

Be aware of your team's messaging. Like any good leader, let your staff members do their work, but be aware of their activities to avoid any embarrassing surprises.

Future Directions

Be proactive with your communications efforts. Marketing and public relations efforts are not effective if you are timid. In today's information-saturated society, people must hear or see your message several times before it registers. Most importantly, continue to learn more about your audience. One thing is certain: Your audience will change and so should your communications to its members.

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Marketing Issues

Options, Types, and Targets

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As the title suggests, there are many different ways a nonprofit can communicate to its target audiences, and there are many different target audiences a nonprofit can choose from. The nonprofit board may find itself asking, how do we identify which groups we wish to reach? What kind of message do we wish to relay to these groups? With which of the many marketing options do we reach these groups? No matter how small a nonprofit organization is, it is always a good idea to formulate a marketing plan so that all these questions are answered.

Marketing management has many definitions, but one that seems most fitting for nonprofits is "marketing management is the process of planning and executing programs designed to influence the behavior of target audiences by creating and maintaining beneficial exchanges for the purposes of satisfying individual and organizational objectives" (Andreasen & Kotler, 2008, p. 36).

The unique circumstance for many nonprofits when it comes to marketing is that they are usually marketing intangible items. There are many different avenues a nonprofit can take to market itself and its mission. There are also many different target audiences a nonprofit organization may find itself wanting to reach with its marketing plan. Whether it is to find more donors, gain new members, reach out to potential clients, entice new volunteers or employees, find future cosponsors, or just to gain more name and/or image recognition from the general public, there are many different reasons why a nonprofit board of directors will decide to put together a marketing plan for its organization.

There are actually three different major ways a nonprofit can communication with its target audiences: advertising, personal communication, and public relations (Rados, 1981). Advertising can be either informative or persuasive, is a paid form of communication, and has an identified sponsor. Publicity on the other hand is free, has no identified sponsor, and is strictly informative (Veeder, 1999). The majority of this chapter will focus on advertising and personal communication since publicity is mostly about the relationship an organization has with certain news media, such as newspapers, and less about actively working on a marketing strategy, which involves advertising and personal communication.

Marketing Strategy

Even before a nonprofit should consider which marketing venues it wants to pursue, the organization needs to develop a marketing strategy complete with goals, a budget, and a system of evaluation. For some nonprofits, it may also be beneficial to appoint a marketing subcommittee of the board of directors if one does not already exist. This way, the nonprofit board can appoint to this subcommittee individuals with experience who are already associated with the organization and can also invite to this subcommittee both community members and professionals for more expertise and free advice. Having professionals on a marketing subcommittee will also be advantageous when the nonprofit is looking for media connections during the implementation phase of the marketing plan.

Goals

Four main questions must be answered fully when putting together the goals of a marketing campaign. What does the organization want to accomplish? Whether it is an increase in attendance at events, a desired change in public action or perception, or more donations, the organization needs to define exactly what it is setting out to do with both quantitative and qualitative measures.

Also, the nonprofit ought to fully understand whom it wants to target. In the marketing world, there is a fancy term for this: *market segmentation*. If an organization tries to come up with a marketing strategy that appeals to everyone, it will most likely end up alienating most, if not all, of the target groups. Rather, the nonprofit needs to focus on a few key groups and learn the best way to connect with them (Sargeant, 1999). To get started with picking the segments to target, the nonprofit should first ask itself, who exactly are the major groups of individuals involved in the organization, and second, what are their motivations and unmet desires in relation to the organization (McLeish, 1995).

What is the assessment of the marketplace? A nonprofit needs to consider the outside forces that will affect the campaign. Did a new competitor just enter the scene, how is the economy, has there been any news circulating relating to the organization's mission or programs? Knowledge of the current climate will help a nonprofit prepare itself successfully for the marketing campaign.

What does the organization want to say? It may seem obvious as to the message the organization wants to send to its target audience, but there are some serious things to consider when putting the message together. A nonprofit should identify and then focus on its main points when creating the message. Whatever message the organization decides to go with, it needs to consider the associations the target audiences will make with them (Herron, 1997).

How will the organization measure its success? An evaluation system needs to be put into place before the campaign even gets underway. The nonprofit must decide how it wants to measure its success (or failure), whether it is through tracking dollars, attendance, or the public's reactions. The number and demographic of people the organization wanted to reach should also be measured. There are many ways to evaluate, so the organization should consider all options before moving forward (Herron, 1997).

Budget

A budget for your marketing campaign is vital, especially when assessing the success of the campaign. If a campaign had the goal of attracting 100 new donors above the $1,000 level and succeeded, the nonprofit can celebrate their success, but they also must look at the budget. Sure, they just raised over $100,000, but what if the marketing costs were $80,000? Knowing how much the organization is spending is critical for a marketing campaign to be successful.

When putting a budget together, the nonprofit must not consider only the obvious costs of printing, postage, supplies, and so on. Other costs must also be considered such as staff time, equipment use, and building-use expenses. If the development assistant will now be using 25% of her time on the marketing campaign instead of on her usual fundraising work, this percentage of her salary should show up on the marketing budget.

Evaluation

Before the marketing campaign is underway, the nonprofit should decide what the success measures will be. Does the organization want an increase in memberships, an increase in donations, or just more hits to the website? Once the desired outcome is decided on, the organization should then figure out how it plans to measure this specific outcome.

If increased membership is the target, then the nonprofit should have a tracking system in place that should show the new memberships enrolled each month. This information needs to have been tracked for several months, if not a few years, before the marketing campaign. That way, other factors affecting the new membership numbers can be ruled out. For example, if the organization has tracked the new membership numbers monthly for the last 5 years, it may learn that memberships are high in the month of December because individuals are buying the memberships as gifts or because individuals are trying to donate more at the end of the year for their tax deductions. Knowing this can help a nonprofit not confuse other factors with its marketing campaign's results.

Once a marketing campaign is over, it is always a good idea for the committee and/or those involved to meet and discuss in detail the success (or failure) of the campaign. The end of one campaign should always be the beginning of another in terms of learning. The nonprofit learns from its successes and mistakes and subsequently carries these lessons over to the next marketing strategy.

Marketing Targets

Before a nonprofit decides on which marketing types to use in its marketing campaign, it needs to decide who exactly it is trying to target and why. The difference between trying to reach a prospective donor and a client for the organization's services can be drastic. While the prospective donor may read the local newspaper everyday and drive on the expressway to work, a homeless client may not even know how to read and may not own a car, much less be driving one to work everyday on the expressway. So the nonprofit can try to reach the donor through mailings to his house, having a billboard along the expressway, or putting an ad in the newspaper. To reach the homeless client, the nonprofit can use bus stop signs, radio advertisements, or even the simplest form of marketing: word of mouth.

Ultimately, every nonprofit is different, and the best thing it can do is research the target audience it is looking to reach and find out the best way to get in touch with these individuals. In fact, one list of target groups for a university consisted of 20 separate groups of individuals. This list included obvious groups such as students, staff, and donors as well as groups one may not instantly associate with a university like veterans, corporations, and community college graduates (Fine, 1990). The following is a list of common targets a nonprofit may try to reach to give nonprofit organizations a basis to start from when considering its list of target groups.

Donors

Donors are typically the target nonprofits are looking to reach the most. Every development director has taken part in marketing whether the person realizes it or not. While it is always a great idea to keep trying to build on the existing donor base and add more donors, it is much easier and less expensive for a nonprofit to keep current donors than it is to gain new ones. So the marketing efforts for donors should make sure to focus on both categories of target audiences: current donors and prospective donors.

Most donors are contacted through direct mailing, word of mouth (cultivation), special events, and/or telemarketing. However, there are many other creative ways to reach a prospective donor or to stay connected with a current one. The marketing plan for donors should also take into account the amount of money and resources the current donor already gives (or the amount the nonprofit is looking to receive from a prospective donor). It is highly unlikely a major gift donor will respond well to telemarketing. Major gift donors typically need to be cultivated over time and therefore should be interacted with through face-to-face meetings and phone conversations. Small gift donors can obviously be contacted through all kinds of marketing options since it typically does not take as much time and effort to receive a $15 donation as it does a $15,000 one.

Social media are becoming more popular, especially with younger generations (also known as future major gift donors!). Nonprofits need to use this medium to reach potential donors and use the Internet to make donating practically painless for individuals. While many people just throw their "junk mail" into the recycle bin without giving it a second look, they are very willing to click on a link and look at a website for a few minutes.

Members

Membership organizations not only need to attract members but also need to retain them. Newsletters, sent through mail or over the Internet, are usually the most common communication form chosen for retention. Also, membership organizations legally need to inform their members of the annual meeting since members have a right to attend and vote at this meeting. A nonprofit can market this annual meeting in a positive light, maybe offer some type of incentive such as a social hour before the event. Not only is it a good thing to have a large number of members attend this annual meeting, but also it can be used as a fundraising technique. Asking a person face-to-face for a donation is much more successful than a mass mailing or newsletter, so here is the nonprofit's chance to speak to its members one-on-one, face-to-face, and attempt to get more funding than just the annual membership dues.

It is also a great idea to keep members informed and engaged with updates relating to the nonprofit throughout the year. While mailing a newsletter is a great way to do this, it is becoming more popular for nonprofit organizations to turn to the Internet as a cheap and easy way to stay connected. The nonprofit's website can have a special section for members only where individuals can log in and catch up on the latest happenings of the organization.

Clients/Customers

A nonprofit that directly serves a group of people needs to be able to reach them so that these individuals know about the services that are available to them. Nonprofit organizations also need to stay competitive if their services are also provided by any other organizations in the area. Nonprofits need to market to clients so that these people know there are services available to them if needed. In addition to educating the public about services offered, some nonprofits also need to target these prospective clients for revenue purposes. If the organization charges a fee for services, this is income for the nonprofit, and therefore, it needs to attract more clients to increase revenue to support and even expand programs.

Sometimes reaching clients can be difficult, however. If the nonprofit is a literacy services center that tutors adults in reading and writing the English language, it cannot advertise heavily through print since its potential students may not be able to read the print advertisement. Also, if the nonprofit services the homeless, it can be difficult to reach this population since it is somewhat transient and can be difficult to locate. As with all marketing situations, and clients are no different, the nonprofit needs to focus on and research the target audience and then decide on the best marketing options to reach these people.

Volunteers

For many nonprofits, volunteers are the backbone of the organization, and attracting them and their services is vital for the organization's success. Just as looking for potential employees or customers can be competitive, so can attracting volunteers, especially if there are other nonprofits in the area with a similar mission. Most metropolitan areas in the United States have a volunteers' website that compiles all the opportunities in the area on a database for potential volunteers to search. It is also a good idea for the nonprofit to go to job fairs and have information on all the volunteer opportunities. Even if they are not hiring for paid positions, the individuals at the fair are most likely out of work and looking for something to do, either to just keep busy or to have something to put on their resumes while they are between jobs.

A specific kind of volunteer a nonprofit should always be marketing for is board members. When elections are around the corner for new board members, a nonprofit should really get the word out that there are seats open on the board. Otherwise, only friends of current board members will know about the opportunity, and suddenly, the nonprofit will have only like-minded people on the board. It is crucial for the board to be diverse in order for the nonprofit to remain successful.

In addition to marketing for board members, a nonprofit board can set up a marketing committee that has a few board members, staff, and community members involved. A marketing professional may not be interested in the full responsibility of being a board member, so asking such individuals to sit on a subcommittee is a better way to ensure his or her involvement. This can also save the nonprofit money if it has a volunteer committee of specialists helping with the overall marketing of the organization instead of hiring more staff people or outsourcing to an agency.

Collaborating Agencies

A nonprofit organization may be looking to join forces with another nonprofit or even a for-profit company in order to further its mission. There are many reasons why a nonprofit would want to join with another organization. Some grantmaking organizations request that nonprofits collaborate before they will grant any money. Most likely, the best way for a nonprofit to do marketing in this area is through direct, personalized letters or phone calls to the appropriate contact at the other organization.

Cause related marketing is becoming increasingly more popular as regular consumers being to feel more altruistic in their purchasing decisions. The concept of cause-related marketing is a worthy one, and if a nonprofit knows what it is doing and is very careful about which for-profit companies it will join with, it can also be an extremely beneficial endeavor. A nonprofit can move both its name and mission into a larger spotlight and also receive a large donation in the process. While there are legal issues to consider, a nonprofit organization definitely needs to do its research on the company it is considering and then make sure to have an extremely detailed contract that spells out everything relating to the campaign, right down to the dates the campaign will start and end as well as the minimum and maximum amounts the for-profit is prepared to give.

Policymakers

In many cases, a nonprofit may want to reach out and communicate with a legislator or policymaker that could help with a particular policy affecting the nonprofit's mission. For example, a puppy mill regulation bill may be on the floor of a state senate, and a local humane society wants this bill to be passed since it means more animals will be protected from abuse and neglect. Legally, however, nonprofits need to be careful about how much money and other resources are spent on lobbying since Internal Revenue Service 501(c)(3) status nonprofits are legally limited on spending in this area.

Therefore, if a nonprofit wishes to get the attention of a legislator, it needs to be creative. One of the most common ways nonprofits handle this is through volunteers. Many nonprofits will have a link on their websites giving volunteers or community members the necessary resources to contact their local representatives. Providing local representatives' contact information, speaking points, templates of letters, or even brochures for volunteers and community members to hand out at the state capital steps are all great ways to spread the word, educate individuals, and put pressure on these politicians to act.

Employees

Just as any regular organization, sometimes a nonprofit needs to attract individuals to join its staff. The nonprofit sector is becoming very competitive when it comes to attracting top employees, so nonprofit organizations need to put a little more time and effort in their recruitment process. The most popular forms of marketing used to attract potential employees are through print media like newspapers and through the Internet on job websites or the nonprofit's own website.

Marketing Options/Types

Print Media

Newspapers, journals, magazines, yellow pages, direct mail, newsletters, flyers, brochures, business cards, bumper stickers, bookmarks, temporary tattoos, et cetera, et cetera!

There are many options when it comes to printed materials in marketing a nonprofit. The options are almost endless if one sits down and brainstorms the possibilities for a mere 15 minutes. Not only can a nonprofit place a traditional advertisement in a newspaper, but also it can send out a press release to have the newspaper run a story on its organization, submit a letter to the editor, or even place an advertisement in the classifieds. The best individual to contact at a newspaper so that the press release is not buried in the pile of hundreds of releases received each day is the department editor and/or the specific reporter that covers the nonprofit's topic. A follow-up call after submitting a release is almost always necessary as well. Beyond newspapers, a nonprofit can place advertisements in journals, magazines, and even the yellow pages.

There are also many different things a nonprofit can print its information on. The true question is whether or not there is a successful return on investment for these endeavors. While it may seem like a good idea to print thousands of bumper stickers to give out at all events, unless people attending the events actually take the stickers and place them on their cars, the nonprofit just wasted that money. A nonprofit should seriously consider which print materials it wants to make and then assess if it will be cost effective for the goals that were set in the marketing strategy.

Direct mailing is usually a big piece of the marketing puzzle for nonprofit organizations. Before a nonprofit considers a direct mailing campaign, it needs to ask a few questions of itself. Who are we? (Is the nonprofit well known and/or have a popular mission?) What is our market? (Is the nonprofit local or national, what kind of people support the organization?) How should we position ourselves? Should we offer something in return? Are we ready for failure or success? Direct mailing can be expensive, especially the first attempt, so a nonprofit needs to assess if it can handle the cost of such a large endeavor (Lautman, 2001). Typically, direct mailing involves purchasing a list from a broker and "cold mailing" individuals, although this does not typically have a worthy success rate. Obtaining one's own mailing list of interested individuals is always ideal, so the nonprofit should constantly be collecting contact information at events, programs, and so on, to build on this list.

What a nonprofit decides to put in its direct mailing piece is extremely important. There are two main groups direct mail pieces are used to target: membership and charitable contributions. The mailing should be focused only on one or the other, so the organization must choose which group it wants to target. There are many factors to be considered in the creation of the mailing: the person signing the letter (CEO or board president? Or someone else?), the length of the letter (more than two pieces of paper double sided is not recommended), if there will be any teasers, what kind of postage will be used, the size and color and font of the letter, the size and color of the paper and envelope, which photographs or graphics will be used, the attitude of the letter, and if there will be an inclusion of a brochure are all issues the organization must consider when putting the mailing piece together (Greenfield, 2001).

Broadcast: Television, Radio

Most small nonprofits do not attempt to advertise on television, and this is mostly due to the cost. However, if a nonprofit plays its card right, it can get a television station to sponsor it through free airtime for a commercial. Even if this happens, the organization still needs all the equipment, time, and resources to produce a commercial, so this is a marketing option that may not have a high enough return on investment to pursue for a smaller nonprofit organization. Larger nonprofits will see more success in this marketing type because of the higher availability of resources.

There is a cheaper (if not practically free) option for a nonprofit to get on television, and that is through the local stations' news reports and/or morning shows. The organization needs to contact the assignment editor of the local television station with a story or event for the station to cover and offer to have a volunteer or employee come on a show to talk about the event in more detail. It helps if there are visuals the staff person or volunteer can bring. For example, if the nonprofit is an animal shelter, the spokesperson should bring in a cuddly kitten when discussing the large number of cats available for adoption at the shelter. This will go a long way in getting the attention of viewers.

Radio advertisements are much cheaper to both make and buy for airtime. However, the ability to target a specific demographic may be difficult since most radio stations typically will not allow the advertiser to choose the time slot when its commercial will play. In addition to usually not being able to control the time of day or night the commercial airs, the use of public radio is greatly decreasing due to other music providers, such as compact disc players, MP3 players, and websites like Pandora, which all provide music without commercials.

Just as with the local television stations, the nonprofit can attempt to have a radio show host plug its event on air or mention the nonprofit in general. The organization can also try to get a volunteer or staff person on a morning show to explain things in person. The nonprofit organization will most likely want to contact the news or promotions director of the local radio stations to set up this opportunity. Most stations want to know months in advance about these opportunities, so make sure to keep this in mind when planning an event or marketing campaign.

Another option is to call in during a talk show that is discussing a topic relevant to the nonprofit. For example, if a radio talk show host is discussing the increased number of prisoners being released early from the nearby prison, the nonprofit that offers job placement and counseling services for newly released inmates can have a spokesperson call in and talk about the programs the organization offers for these individuals. Obviously, this is much less expensive than producing and paying for a commercial.

Transit: Bus, Bus Stop, Billboards, Subway

A decade ago, many nonprofits would not have considered public transportation as a viable place to market their organizations. However, with the downturn of the economy coupled with citizens being more environmentally aware, people are now more willing to consider public transportation over driving their own vehicles. Therefore, putting advertisements on buses, in buses, at bus stops, in the subway, and so forth, will be noticed more than ever before.

Cost can vary, but some bus companies will guarantee a length of time the advertisement is posted and then after that keep it up until some other company buys the space. Since not many organizations are realizing they can use this type of marketing venue, this can mean months of extra coverage without pay. The downside to using public transportation for marketing is that advertisements placed in these areas generally reinforce only the organization's message through name recognition and do not necessarily move a person to action.

Billboards are still a very popular way to advertise, although somewhat expensive compared to the other options available. Once again, billboards should not be used to call an individual to action but should concentrate on solidifying the organization's name recognition. Since people are driving rather fast and can dedicate only a few seconds, unless it is rush hour, to looking, the billboard content should be easy to process and not have too much print.

Internet: Website, Social Networking Sites, E-mail, Podcasts, Craigslist

The World Wide Web is becoming the most powerful tool for organizations and individuals alike to market themselves. It is almost considered a must for nonprofits to have a website, and most have dedicated a lot of time and energy on making their websites both attractive and usable. There is also the typical use of e-mail in lieu of mailing such things as newsletters and fundraising appeals. Nonprofits can also become creative and decide to post podcasts or list advertisements on sites like Craigslist. The possibilities are endless for ways to market an organization on the Internet. Additionally, there is also a growing trend of using social networking sites to market one's organization. Sites like Facebook, Twitter, LinkedIn, MySpace, Flickr, and YouTube are all becoming the fastest, cheapest, and best ways to reach certain demographics.

These sites can be used to advertise events, inform the public on topics of concern for the nonprofit, post volunteer and job opportunities, and/or to ask for donations. The possibilities for the uses of the many social network sites are endless, and since the vast majority of these sites are free, nonprofit organizations should have a presence on all of them.

Marketing on the Internet also offers a unique ability to easily track the costs of marketing and return on investments through web programs, such as Google adwords and Google analytics. In a matter of a few clicks, a nonprofit can know how many people have visited its website, how many have found the website by searching for certain words, which ones (anonymously) actually explored the website beyond the first page, and who ended up donating or contacting the organization. No other marketing venue can offer this extensive information, especially at such a low cost to the organization.

Telemarketing

Telemarketing unfortunately has a bad reputation because of organizations handling the use of cold calling inappropriately. If done correctly, telemarketing can actually be very successful for a nonprofit organization. It really takes just some serious common sense to make a telemarketing campaign successful. The organization needs to make sure it does its research well. Know the full name of the person on the list and the correct pronunciation of the name before calling. Make sure the people calling are extremely polite and are willing to listen to the prospect if the person has a comment or complaint (Horowitz, 2000).

There is a very good chance the individual on the other line will not agree to donating anything over the phone. This is not a complete loss, however. If this happens, the nonprofit organization's telemarketer should be prepared to ask if the individual would be interested in receiving something in the mail to learn more about the organization. This not only gives the prospect more time and more information to consider giving a gift but also allows the nonprofit to access the individual's contact information to put the prospect on the mailing list. It is also extremely helpful to have the person calling be a volunteer instead of a paid employee. When the person on the other line realizes that the solicitor is a volunteer, he or she is much more likely to be polite and to listen.

Word of Mouth

Sometimes, the best way to reach someone can be as simple as through someone else. A nonprofit should encourage its members, donors, volunteers, and clients to spread the good word and invite their friends, family members, and coworkers to join the organization or attend an event. Being invited to an annual fundraiser by a close friend is much more effective than receiving a mass mailing invitation in the mail.

Word of mouth is also a great way for a nonprofit to attract more clients or customers. Some nonprofits offer services that address delicate issues, so most advertising options normally used to attract clients may be viewed as too evasive or impersonal. If one person comes to the nonprofit for services and has a good experience, the person will be very likely to recommend the organization to family and friends who may need the services as well.

Special Events

Special events are not just for fundraising or recognition purposes. They can also be used for marketing. If a special event is held in a public place, such as a park, the general public will see the activity and may become curious as to what is going on or want to know who had organized the event. All special events should have literature available for people to take with them, whether it is fliers, brochures, magnets, or some other type of further information explaining the organization. This not only is useful for those attending the event but also is great if a bystander drops by and has questions about the event or the nonprofit. All special events should also have an area where people can give their contact information. This information can be used when mailing out the newsletter, doing a direct mailing campaign, or for invitations to other special events.

Special events in themselves may require a lot of marketing to get a high attendance or enough corporate sponsors, and many of the types of marketing options in this chapter will help. In the advertising for the special event, the nonprofit should also make sure to include general information about the organization as well as on how people can donate to the cause. Therefore, not only is the organization pushing for the special event, but also it is doing double duty by inviting the target audience to learn more about the organization and give these people a chance to donate even if they cannot make it to the event.

The key thing to keep in mind about holding a special event, whether to raise funds, thank donors and volunteers, or spread the word about the organization, is that the nonprofit should have everything (or close to everything) paid for through sponsorships. Therefore, no matter how much or, if things do not go well, how little is raised, all the proceeds are profit. It also helps to get corporate sponsors because these for-profits will most likely agree to help promote the event by possibly putting fliers in their stores or offices since it means more attendance that leads to more positive exposure for them.

Cause-Related Marketing

Cause-related marketing is marketing that ties both a for-profit company and its product or service to a cause associated with a nonprofit organization and is meant to attract consumers. The main goal is to increase sales and corporate image while also contributing to the nonprofit (Ptacek & Salazar, 1997). As consumers are becoming more altruistic in their purchasing decisions, companies are cashing in by forming alliances with nonprofits and thus creating a higher demand product since the consumer now feels like they are being charitable by buying the product (Embley, 1993).

Many for-profit companies have marketing budgets larger than a nonprofit's total budget for the year, so this kind of exposure is practically priceless for the nonprofit. Whether it is a national nonprofit pairing up with a large company or a local nonprofit joining forces with a mom-and-pop store, this kind of relationship can become very beneficial for both parties. Another major benefit is that this is yet another source of funding a nonprofit can consider. With the state of the current economy, nonprofits need to diversify their sources of funding to avoid losing too much money if one source goes under or if the source can no longer afford to give.

However, there are some serious issues for nonprofits that connect themselves with a for-profit business. If the nonprofit does not get a contract that specifies in detail what the for-profit may do with the nonprofit's name and logo, some abuses may occur. There is also the issue of accountability in terms of contracts. A nonprofit should ensure there is a contract between the two organizations, so it can legally pursue the for-profit company for the money owed to it or for damages incurred with improper use of the nonprofit's name and/or logo if such things should occur.

Summary and Future Directions

For a student wishing to get hands-on experience in any avenue of marketing for nonprofits, the best option is to contact a local nonprofit that has a mission of interest and offer to aid the organization in a volunteer capacity. Another way to offer services and gain experience is to ask if the nonprofit has a marketing committee operating through the board. If so, many subcommittees of boards willingly allow community members to participate. This is also a good option if the student is looking for more than just a few months of experience with the nonprofit since committee seats usually have terms.

Additionally, many cities in the United States have an organization that offers a website where many nonprofits post their current volunteer opportunities. Students interested should locate this organization's website that has such a compiled list and see if any postings match the experience he or she is looking for. When contacting a nonprofit organization, keep in mind that many are understaffed and overworked; therefore, it may take more than one e-mail or phone call to get a response. Do not be discouraged. No matter how a student approaches a nonprofit organization with the offer to aid its cause, keep in mind that most nonprofits will be more than happy to have the help!

A nonprofit has many options when it comes to choosing both marketing types and which target audiences it wishes to reach with those marketing options. Having a strong marketing plan that lays out the identified target groups and how they will be reached should be a staple for every nonprofit organization. The nonprofit should have a clear message for each group and should know the outcome it is looking for once the message has been sent. If a clear plan is laid out, there can be success for the organization in getting its message out.

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Traditional Print Vehicles and Stakeholder Groups

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Charities historically have shortchanged marketing for reasons ranging from cost constraints to the conviction that marketing dollars are better spent on providing services or salaries. Instead of seeing a brand project as an unnecessary expense, a better approach is to regard it as an investment in a long-term asset with demonstrable returns that will bring more resources to bear in providing services, not less (Rogovin & Wilburn, 2007).

Today, many nonprofit organizations are finding overall marketing, including branding, to be a necessary function rather than a luxury and thus becoming a function that development directors and fundraisers are finding to be a large part of their job description rather than ancillary. In fact, the July 2008 report conducted by the American Marketing Association in partnership with Lipman Hearne that included feedback from more than 1,000 nonprofit organizations found that building awareness, generating revenue, branding, and acquiring and retaining members and customers are top marketing priorities for nonprofit organizations. Organizations identified *building awareness* as their leading priority, regardless of size or subsector (Hearne & American Marketing Association, 2008). In today's landscape of increasing numbers of nonprofit organizations and competition along with tighter and more focused guidelines on dollars spent by corporate, foundation, and other sources and with increasing expectations and knowledge on behalf of individual donors, an organization—no matter the size or mission—needs to sear through the clutter and create a voice to succeed.

Traditional print communication vehicles should be one component of an organization's marketing plan to accomplish that voice or awareness. Just as nonprofits have evolved so must traditional methods of print communication. Social media and the Internet have carved themselves a new, seemingly large piece of the puzzle, but that does not mean print vehicles have vanished or do not hold value among stakeholders. Most all nonprofit organizations can find some value in traditional print marketing. So after decades (or more) of honing your marketing strategies, now is not the time to drop the tried and true when social media marketing is still so unproven for your organization (Dreyer & Grant, 2009).

There is much discussion of late about the strong impact social media tools, such as Facebook or Twitter, have on the nonprofit sector. However, long-term results on the real impact they are having on nonprofit fundraising are still to be determined. All of the focus on social media leaves many with the feeling that traditional print media vehicles are doomed.

Getting Started

The fact of the matter is traditional print vehicles, such as annual reports, newsletters, direct mail, brochures, and pamphlets or flyers, will always remain a function of the nonprofit sector—or any sector. The challenge lies in transforming our current thought process and use of these tools to include innovative and creative tweaks to meet any audiences' need or want. At any given point in a specific economic climate or cultural or generational shift, one of these tools might be more resourceful and successful than another. The key is finding out how, when, and why your nonprofit organization can use each of them to garner the best results in your marketing efforts.

As you begin to think about how your nonprofit organization can use traditional print vehicles to both create awareness of your cause and fund raise, one main item that should be kept in mind is *consistency*. Consistency should be the underlying theme throughout your marketing planning process. Your process should first begin by auditing your current marketing and promotional materials. Determine what components have brought you success in your past and current efforts. In most cases, it is neither wise nor efficient to completely start from scratch. Work from your strengths and improve or change the weak areas.

During this audit process, you might consider pooling a small group of your constituents (include staff, board, community, and donors) together to conduct a feasibility study—just to give you some external thoughts or tips in addition to what you already know. You can also find out if the brand or image is clear, concise, and understood by your audience. Next, and probably the most important thing to consider, is to set the goals you would like to achieve when using print materials. Here are a few best practice goals for traditional print vehicles that will apply to almost every nonprofit organization:

1. *Create awareness:* General organizational materials, such as brochures and pamphlets, should be broad enough to provide any reader with enough information to have a basic understanding of your organization and what your program does. Use your organizational logo and photos consistently so that the reader can tie them back to your organization. Select a few key words or messages and your mission.

2. *Fund raise:* Any piece a nonprofit organization creates should have, at the very least, an underlying goal of fundraising. There should be directions for someone to take action, such as, "to make a donation," please send your check to a specific address or please see a specific website link to make a donation. This print piece that ends up in someone's hands might be the only piece the person ever sees, but it might also move him or her enough to give.

3. *Convey an image:* An organization needs to determine, with the assistance of the board and other key stakeholders, what image it wants to convey. Print materials need to be appealing, neat, and not cluttered. Although many people fear that looking too glossy or shiny has a negative impact, you don't want your group to look like a flailing organization that does not have resources or is not with the times—especially if you want to capture attention among the younger generation.

4. *Provide consistency:* As mentioned earlier, consistency is imperative. Make sure all of your traditional print marketing pieces can be connected to one another as well as to your online materials. You do not want to create the impression or confusion that your group is many different organizations.

After taking all this into consideration, your organization must then determine if it is ready to invest in making necessary changes to the traditional print materials or if you do not have materials already, the creation of new vehicles. This does not mean investing many unbudgeted dollars into the process is warranted. Lipman Hearne and the American Marketing Association (2008) found that of the organizations they studied overall marketing budgets were typically 2% to 3% of the organization's overall operating budget, not including salaries and benefits. This percentage decreased with an increase in organizational size. There are cost-effective and efficient ways you can seek. Auditing and redeveloping only one or two of your traditional marketing vehicles will not have the greatest impact and benefits. This has to be an all or none process. Once completed, your organization will find that the investments of time, labor, and budget were well worth spending in building the awareness, meeting fundraising goals, and creating a strong brand and image that can resonate with all types of audiences. And remember, without marketing, programs and services will suffer, donations will drop, volunteers won't know about volunteer opportunities, and there will be low turnout at events (Jones, 2008).

Traditional Print Communication Vehicles

A nonprofit organization's marketing collateral often needs to meet all the target audiences' needs and wants in fewer amounts of materials. As you begin to analyze and determine each piece, consider your target audiences and how you will be able to best communicate your message in broad terms.

Annual Reports

One important lesson nonprofit organizations can take from the corporate sector is the need and importance of an annual report. Having a print piece such as an annual report might actually save you time and effort in the long run. By creating an annual report, your organization can use this as its "go to" document. It might be the one thing you consider handing out to everyone you meet or you may select it to send only to current donors, supporters, and prospects. There are benefits to creating a sharp, eye-catching piece, and that can certainly be done without spending lots of money. To save additional money, consider using a unique design, unique printing features, and full color only on the cover and using a basic layout throughout the interior. Print only a few of the fancier reports for VIPs and consider printing copies of just the interior in-house to send to the general public or for other purposes. You should also post the annual report on your website or consider sending out a special e-mail that directs people to your annual report link on your site. Be sure to save some of the fancier copies to honor special requests and new funder inquiries. It is important to have something such as this piece at the ready to send to anyone at anytime that you are trying to attract to your organization.

Retaining a graphic designer or marketing expert in your community who will volunteer his or her time or charge a nonprofit rate is a wise investment in producing an annual report. You might even have someone on your board with this expertise.

Cover the Basics

An annual report should begin with general information about your organization that includes the mission, vision, values statement, brief programmatic information, and pertinent staff information. Do not assume the reader knows everything about your organization. This section should provide readers with enough support for the rest of their reading and reviewing of photos, highlights, outcomes, and financial information to understand the nature of your organization and what it is trying to accomplish.

Photos

Nonprofit organizations should be taking photos all year-round, at every event and function in which photos are allowed. In addition, a general photo release should be created and signed by everyone featured in the photo. Photos are immensely important to the annual report. The annual report might be the only piece that a donor or constituent receives or even pays attention to all year-round. If this is the case, one swift and effective way to tell a story is through the photos. One tip that blueavocado.org provides is to flip flop how an organization traditionally would select photos. Instead of first selecting photos, this group suggests you first come up with two to four great options; then consider what photos you have or can get that would be relevant to those topics (Board Café, 2009).

Results/Outcomes

As more and more nonprofits are finding out, being able to illustrate programmatic or service outcomes is the key to funding success and sustainability. Outcomes help the reader determine if your organization deserves his or her financial support and if your organization is making a difference.

Highlighting Partnerships

Common buzz words heard today throughout the nonprofit sector are collaboration, media presence, partnerships, and cause marketing. Why not consider highlighting one of your most important partnerships? If a prominent medium source highlighted your organization in a feature during the year—talk about that article or story and be sure to mention the source. Consider reaching out to that contact again to ask for a quote or usage of the source's logo. If a well-known company chose to cobrand a particular product with your organization's and its own logo, feature that product within the annual report. Consider introducing organizations that are part of a collaboration to deliver programming in your annual report. Highlighting any of the before mentioned offers additional credibility to your organization. If someone picks up the annual report and is not aware of your organization but can associate a positive awareness in someone featured—it has the potential to build a sense of involvement by that reader with your organization or interest because of the relationship.

Financial Information

In many cases, the financial section can be fairly simple since many people will not understand how to read the finer details of a financial statement. Must-haves include end-of-year revenue and expenses and information that provides the reader with the understanding of your organization's financial health. Percentages spent on program, development, and administrative costs are very helpful as you will likely be asked for them later if you do not provide them. This information provided in a pie chart format might be the simplest and most interpretative way to provide that data. In addition, if development or administrative costs tended to be higher for the particular year due to reasons such as a capital campaign, a one-time fundraising effort, or programmatic expansion, be sure to provide explanation.

Needs or a Reason for Action

After all this reading and reviewing—you have captured the reader's attention. Be clear on how someone can act now and what some of the top priority needs are in case they want to further help your organization. The annual report should not overly focus on this, but a half page would be sufficient. This half page can include a wish list or a few sentences that encompass your organization's focus during the upcoming year.

Having only an online annual report will not entice every donor and will not guarantee that it will be read. The annual report certainly can and should also be available online. But having a printed resource such as this establishes a certain level of credibility and professionalism for your organization.

Newsletters

The newsletter can be an effective way to reach all constituents listed on your entire database fairly frequently and as pre- or post-tool; therefore, it is important to be strategic when considering mailing frequency, size, and content.

The Particulars

No matter the size of your organization, producing a quarterly newsletter is sufficient, although three times annually might also serve an organization just as well. Be creative and strategic with why and how you are using your newsletter. Consider spending a few extra dollars on sending this piece to every name listed on your entire database. Since you'll be mailing quarterly, it will be a frequent, consistent vehicle that lands in your constituents' hands. With that said, this is your chance to engage current supporters and excite new ones.

Use the newsletter as a way for someone to contribute. Of course, it is not as effective as a face-to-face request, but nonetheless it's a way to ask. Having a printer insert a copy of your organization's remittance or giving envelope can be done but can sometimes be pricey. Carving out a section or box in your newsletter that directs people where to send a check or how to contribute online is certainly cost effective.

Do not forget to consider your organizational time line. Look at when events are scheduled for the year, the time of year your organization receives its majority of donations, or when your annual appeal is scheduled to drop in the mail. After considering these factors, you might decide to have your newsletter serve as a save-the-date or follow-up for one of these events—a way to save money instead of using a save-the-date card or a great way to use photos to illustrate successful results. The newsletter can serve as a reminder for your annual appeal by first dropping the letter into someone's mailbox and then dropping the newsletter one or two weeks following the appeal. Donors can be recognized through the newsletter. If there is a time of year when most donations are received—you can choose to highlight a few of those partnerships—consider highlighting a corporate donor, foundation supporter, and an individual donor.

Design

Consider first whether this is an in-house or freelance option. In-house designers can be optimal for certain nonprofits organizations. However, the downside might be scheduling amongst their piles of projects within different departments if you are a large organization. If the newsletter is something your staff does in house or is part of the development staff's role, consider consulting a graphic designer only for postage specifics and assistance on how to place particular headings in order for the piece to be self-mailed. It might also be helpful to use the assistance of a graphic designer to create the initial masthead as a template, which you can use for future layouts. A graphic designer, although there might be a fee, can be very beneficial to your organization offering an external perspective as well as expertise in consistency, layout, and other particulars of set up.

A good suggestion on size is a four- or six-page newsletter format folded and sent as a self-mailer. There is no need to use an envelope; this just creates a barrier to someone opening yet another piece of mail. Using at least two colors for print is imperative, four is ideal, and both can be found affordable today.

Finally, a Plan

After taking the particulars and design into consideration, start with a content plan for your newsletter. Most nonprofit organizations use newsletters as a vehicle to create general awareness, inform, and educate others on your cause. Unless you are specifically homing in on a particular market, the following tips will apply:

- Do not solely focus on past happenings. Telling stories only about past events, past programs, awards received, and grants earned does not provide a real opportunity for a reader to take action or guide a reader into formulating some personal interest or involvement in future happenings. There should be balance among highlighting both the past and future.
- Use photos and captions to tell stories. Just as was mentioned in the annual report discussion, first determine the key messages or sentences that are important to your organization and follow with finding photos or scheduling photo sessions that enhance these messages. Photos are great to tell stories but not if they are meaningless or used haphazardly.
- Keep stories short and to the point. Stories that drag on and give too much detail will lose the reader. It is only important to give necessary details that provider the reader with a good insight into your program. Answer only the who, what, when, where, and why of the topic and move on; no one needs a step by step account or analysis of an event or program.
- Always require action at the conclusion of each story. Even if you are not looking for a specific need from someone, this provides the opportunity for that person to inquire about more information. There should be both a phone number and an e mail address to meet any person's preference for communication.

Unfortunately, newsletters can be the area where there are the most haphazard mistakes made by nonprofit organizations. Sandy Rees, Certified Fundraising Executive (CFRE) discusses the eight most common mistakes made in nonprofit newsletters, one being "too long of a letter by the Executive Director on the front page" (Rees, 2009, "The 8 Most Common Mistakes"). Too often, nonprofit organizations pump newsletters with so much useless information simply because they have seen other nonprofit organizations feature a specific section in their newsletters. Be strategic. Consider all the audiences that are reading the newsletter, which likely includes everyone listed in your database: donors, volunteers, prospects, friends, corporate and foundation sponsors, and so forth. This is a very broad audience. Pick a few areas in which you can support this broad interest. Don't be afraid to use some white space. Give the reader a break from content and photos. And finally, be sure to proof all content more than once. Spelling a donor's name incorrectly or having incorrect contact information could be a make or break point in relationships with constituents.

Brochures

Brochures are the vehicle most difficult for targeting a specific audience. In most cases, the brochure that targets donors, volunteers, or the general community will likely not be the same brochure that targets your clients or participants. Brochures are great to carry with you and make many more connections or lasting impressions than you can make by just talking. Every organization should consider minimally a general brochure. The bifold, tripanel brochure, often given the misnomer "trifold," is constructed by folding an 8½ × 11 sheet of paper twice to create three panels on each side. It is the brochure type most commonly used by small business because it can be mailed in a standard #10 envelope (see Digital Concepts for Business, n.d., "Brochure Design Services").

As a nonprofit organization, a general brochure is a wise investment. In addition, you should audit the list of your programs to determine if additional brochures are needed. There might be specific programs that warrant their own brochure. If you have several programs, you might consider several brochures depending on need and budget, or if your program menu is too overwhelming, it might not be cost effective or necessary to create a brochure for each program (see discussion on pamphlets/flyers). Here are a few tips as you determine your brochure needs:

Seek a Printer/Designer for Advice

When investigating all print material options, it is wise to gain expertise from a designer you trust or printer you frequent. If you have a relationship with a designer, he or she might offer price breaks to nonprofit organizations based on the more work you provide. In addition, as this is a common piece of marketing collateral, they will be able to share insight on best practices and will be able to create a very professional piece. Printers might also offer price breaks to loyal or repeat customers. If you do not already have a relationship with a designer, printers typically have in-house designers on staff that can accomplish a job for you or will be able to recommend a designer with whom they have a relationship. There are also many inexpensive services available online to design and print materials that are also of high quality.

Consistency

There should always be a few key pieces that remain consistent across all marketing materials. Examples of those include the organization's logo, mission, and contact information. If you have several brochures, consider carving out the same area in each brochure for putting these components to tie each brochure back to your organization.

Key Messages

Whether you are considering the general brochure or a program brochure, you should take note of your organization's or program's key messages. You do not need to tell your entire history and background in a general brochure. Take the four or five most important details about your organization or program and highlight those. Consider items that are fairly timeless by making general statements. Try to not get too specific with using statistics that are dated. If you are like many nonprofit organizations, you do not have the resources available to have brochures redesigned, edited, or reprinted year after year because the information is outdated. If it is important to have outcomes or statistical information, consider producing in-house a half sheet or quarter sheet that can easily be inserted into brochures that will provide this information to the reader. Or if necessary, consider providing this information on a pamphlet or flyer.

Photos

Besides not outdating content, you want to be cognizant not to outdate photos. Be sure to select photos that represent a broad range of your participant or client base. With photos, you want to make sure you give a clear picture of what your organization does as well as appeal to all of your target markets reading this information. It is so imperative to continually take photos throughout the year at various programs to be able to have a good selection to choose from. Be sure to also have releases signed by all parties in the photos. It is often difficult to go back later and attempt to find people featured in photos to get their approval.

Pamphlets/Flyers

Pamphlets and flyers can be an inexpensive way to supplement some of your general marketing materials, such as annual reports and your general brochure. If you are a larger organization with many programs, these can be helpful to highlight specific programs and are cost effective because you can print them in-house. For any organization, they can be helpful in promoting events or programs that often have date or time changes.

Donor specific pamphlets can also be created. Depending on the demographics of those listed in your database, it might be helpful to create flyers targeted to older donors, younger donors, different ethnicities, or even volunteers. Again, keeping these materials consistent with one another is the key. You can do this by selecting the same logo and mission placement on each pamphlet, using photos in the same location, or applying shapes and borders. Ultimately, pamphlets can be resourceful to your organization because they are inexpensive to reprint often and you can include dated information such as revenues and expenses, quarterly outcomes, or annual numbers served. Most of the time, unless elaborate and needing graphic design expertise, these pieces can also be created by development staff.

Direct Mail

Mail as a single-channel strategy is decreasing, but mail is still so important because the majority of money comes from it. However, other channels can enhance mail because people are operating in more channels today than ever before (Tode, 2009).

This is a great strategy to remember. If everyone had the attitude that direct mail was a completely hopeless vehicle, received too many mailed solicitations or advertisements, and turned to only e-mail communication, then people would eventually begin feeling that same way with e-mail—inundated—and the cycle would likely come back to mail. Many of the vehicles discussed previously in this article are potential direct mail components; therefore, much of this discussion supplements the tips given to those vehicles.

Just as with any traditional print vehicle you are using, an organization must learn to not overuse a tool. This aversion people are having to receiving direct mail, in many cases, has resulted because of the overuse of direct mail and lack of differentiation in materials that nonprofit organizations send. People get bored with receiving the same old solicitation or same old newsletter.

Good direct mail campaigns are well planned out and strategically sent throughout the year. An organization should consider creating a calendar to map out exactly when direct mailings will hit your audiences, what audiences you are targeting with your mailing, when they will occur, what you will be sending, and what goals you hope to achieve. Such goals may include awareness building, solicitation or fundraising, public relations or promotion, and special events. In any case, even when your plan is simply to inform your audience, there should always be an action to take or a way to follow up.

Personalization

No one appreciates a canned direct mail piece. So when it comes to an event invitation or a solicitation mailing, the more personalization the better. Even if your organization has a database of thousands, there are simple ways this can be done. Try to plan your mailing far in advance of the actual drop date. Assign staff, board, and volunteers to add personal notes to those that are addressed to their contacts or even personal notes to people they do not know who might work in the same type of business or live in the same community. By assigning others in the organization to write notes on letters, it further engages people in the process of fundraising or event planning, and it also gives the recipient the notion that an actual person looked at the letter or hand stuffed it before mailing. Try to avoid using computerized signatures and notes as this can have a greater negative impact than having no one take the time to sign it at all. Take time to also personalize specific areas of content in your mailing. Instead of considering one blanket fundraising appeal, consider a general appeal with a few interchangeable paragraphs that can be used for different constituents: one for secular organizations, one for nonsecular organizations, one for individual prospects, one for volunteers or members, and so on. A small investment of added time can be the determining factor between a successful and unsuccessful mailing.

Size

Be cognizant of the size of your mailing, for it can often result in unnecessary added costs. When sending event invitations and all supplemental pieces, consider the weight of your mailing. Stamp costs can add up and additional postage might not be worth it when something just as effective and attractive can be mailed at the standard postal rate.

Creativity

As discussion around generational differences between recipients and donors has been one of the hot topics in the nonprofit sector of late, consider using different tools or features when coming up with ideas in your direct mail program. Simple adjustments do not have to necessarily exceed your marketing budget. Again, ask for assistance from a graphic designer or printer. There are so many new ways printers can create projects using unique paper or techniques that might not add much cost to your budget. Thinking about companies that currently donate to your organization, representatives that serve on your board, or foundations that are consistent funders, might inspire thoughts of creative ways that they can partner with your organization on direct mail projects. This benefits partner entities because they are also building awareness of their product or service for a group of people, and they are also appearing philanthropic by making the connection with a worthy cause. It might be something as simple as adding a partner's logo to an invitation you are sending or its stamp of approval to a new program you have added to your menu. Partners might even be willing to share a portion of your cost.

Whether or not your organization completely buys into the success that direct mail campaigns are currently having or will have in the future, it remains a piece of the entire puzzle. Discussion around generational differences and ways to communicate will continue to be buzz words used in the nonprofit sector. As it relates to direct mail, you can use this tool as a way to make an initial contact point with a donor, to engage someone, or to cultivate someone further. It is important to remember to include ways that meet any person's communication preferences as people consider further engaging with your organization. For example, you are sending an invitation out for a special event. Your invitation includes ways to purchase tickets online, a link to a site where you are virtually auctioning off five items, and links to your social networking sites while also including a self-addressed envelope and phone numbers for pertinent staff members. By considering many different communication tools and interests, your invitation, although mailed, illustrates your competence with all different types and ages of donors or audiences. You are tapping into their needs rather than considering only the ways that might be the easiest for your organization to field and handle.

Generational Differences

There is so much discussion around communication with different generations among development and marketing professionals in today's nonprofit sector. Four generations are typically discussed:

- *Veterans (also known as Silent and Great generations)* those born before 1946. They prefer formal communication.
- *Baby boomers* those born between 1946 and 1964. They place a heavy emphasis on work and successfully climbing the corporate ladder. Their preference is face to face interaction, but they have embraced e mail.
- *Gen Xers* those born between 1965 and 1980. They enjoy work but are more concerned about work life balance. They prefer informal communication and rely heavily on e mail.
- *Millennials (or Gen Yers)* those born after 1980. Millennials often have different priorities than their Gen X and baby boomer counterparts. Because of their reliance on technology, they think they can work at any time and any place and believe they should be evaluated on work produced not on how, when, or where they got it done. Their primary tool for communication is technology (Huggins, n.d.; Smith & Stanton, 2008).

For purposes of discussing traditional print marketing interests, grouping veterans with baby boomers and Gen Xers with Millennials presents us with two overall groups that generally have two different interests in communication preferences.

Veterans and baby boomers tend to prefer traditional print methods for communication, such as letters, brochures, and annual reports; there is embracing of e-mail use but nowhere near that of the other two generations. Gen Xers and Millennials prefer communication via e-mail or social networking. The majority of research online in recent years, points to specific strategies and trends for online marketing and using social networking sites. Usage of these tools is increasing at such a fast pace that the interest or emphasis on traditional print vehicles has diminished. However, simply removing these vehicles from your organization's marketing portfolio is not the answer. The truth is, traditional print marketing is and still will be of value in creating awareness and fundraising. People still have yet to see the true impact that these online tools have on long-term fundraising. We know they assist in building awareness, especially among Gen Xers and Millennials, but we do not yet fully know if these tools have a direct, strong, and sustainable impact on these young groups in generating fundraising dollars.

> The Facebook application Causes, hugely popular among nonprofit organizations seeking to raise money online, has been largely ineffective in its first two years, trailing direct mail, fundraising events and other more traditional methods of soliciting contributions.
>
> Only a tiny fraction of the 179,000 nonprofits that have turned to Causes as an inexpensive and green way to seek donations have brought in even $1,000, according to data available on the Causes developers' site. The application allows Facebook users to list themselves as supporters of a cause on their profile pages. But fewer than 1 percent of those who have joined a cause have actually donated money through that application. (Greenwell & Hart, 2009, "To Nonprofits Seeking Cash, Facebook")

Giving differs by factors other than generation—educational attainment, frequency of religious attendance, and income. To the extent that these differ by generation, they explain the observed difference in giving by people of different generations (Campbell & Company, & Center on Philanthropy at Indiana University, 2008). Motivations do vary by income, race, education, region of the country, and religious attendance but vary little by generation after controls for these other factors are taken into account.

Millennial donors are most likely to be motivated by a desire to make the world a better place. They give consistent with their income, education level, frequency of religious attendance, and marital status (Campbell & Company, & Center on Philanthropy at Indiana University, 2008).

The most important message about communicating is to maintain a balance and understand how to navigate all marketing vehicles available to and used by your constituents. Your organization must show that it has competency and understands the needs of all generational preferences in its community. Just as you seek to find what your audiences' needs and wants are in relation to their giving to your organization, you must also seek their needs and wants in regard to communication forms or tools. Think beyond the use of a specific marketing tool but more deeply to what kind of messages your tools can offer or afford through the more effective means of finding that right communication.

Summary: Keys to Success When Using Any Traditional Print Vehicle

No matter what print vehicle(s) you are choosing to use and no matter what generation your marketing is targeted to, nonprofit organizations need to consider using resources more creatively to be effective. There will continue to be increasing numbers of nonprofits entering the marketplace and new ways to market online via e-mail, and social networking sites will continue to be developed. Nonprofits that can successfully balance the use of all these tools will be the winners in building awareness and in fundraising efforts.

Your organization's ultimate challenge is to find a way to be different, creative, and innovative without breaking the bank. Capabilities of designers and printers continue to evolve. Just as relationship building is a skill nonprofit professionals need when fundraising and building awareness, so is it imperative that this skill translate into building the same relationship by recognizing communication tools that are effective with your audiences.

Branding

If your organization or program is like many and has competitors and limited funding streams, marketing and branding can help ensure your programs are created to provide value to your target audiences. Branding is creating a point of differentiation and awareness where people recognize the name of your organization and what it does. Developing a strategy that will connect your audiences, young and older, to your cause while also being consistent in an overall marketing effort is the key.

The fact of the matter is that traditional print vehicles, such as annual reports, newsletters, direct mail, brochures, and pamphlets or flyers will always remain a function of the nonprofit sector—or any sector. The challenge lies in transforming current human thought processes and use of these tools to include innovative and creative tweaks to meet any audience need or want. At any given point in a specific economic climate or cultural or generational shift, one of these tools might be more resourceful and successful than another. The key is finding out how, when, and why your nonprofit organization can use each of them to garner the best results in your marketing efforts.

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Media Relations

Promotion and Crisis Communications

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Many nonprofit organizations do great work but are little known by the general public. It is not unusual to hear an organization described as a hidden gem or a little known secret. However, in an increasingly crowded nonprofit sphere, successful organizations must create and maintain a higher profile with the public through an organized public communication effort.

Nonprofit organizations have a number of ways to communicate to the public. This chapter covers the basics of writing press releases, newsletters, and annual reports and gives examples of how broadcast and print media can be engaged to share information about the work of a nonprofit. Typical nonprofit uses of online media are surveyed, and techniques to plan for crisis communication situations are also addressed.

Introduction

First, you get a puzzled look, and finally, the person you are speaking with admits that he or she "never heard of it." You are new to your nonprofit but are proud of the work your organization does. Naturally, when off the job, at your church or a party, people ask you what you do. You tell them where you work, but your organization's public profile is so low that most people, even if they happen to pass by your office on a regular basis, do not seem to recognize even the name of your organization.

The clientele and employees of a typical nonprofit are probably already convinced of the good work of an organization. They see it each day, but for the larger community, the good work that a charitable organization does is probably not so well known. Unless your organization is gifted with enormous resources and can pay for advertising, it must, like most nonprofits, rely instead on creative ways to get the organization's name and story out to members of the community, often with the cooperation of journalists who work for the various news outlets. This process of generating public awareness is known as *publicity*. Publicity is the distribution of information or promotional materials through various media in order to attract attention.

The saying goes that "you can never have too many friends" and for nonprofits, having many supporters may be the key to their long-term sustainability. In fact, you can think of the primary functions of a publicity director for a nonprofit as making acquaintances and then telling the story of your organization. In an increasingly competitive nonprofit sector, distinguishing your organization from other groups is imperative. To a local resident, what makes your nonprofit different than the dozens of other nonprofits in your area? Good work on your part will help build organizational credibility in the community, and since fundraising is important for the security of any nonprofit, a good public relations effort on your part can lead to a favorable environment for later fundraising appeals for the organization.

Job Titles and Duties

Modern publicity agents typically prefer being described as a public relations (PR) professional, but different organizations have different titles for this position such as communications director, information officer, publicist, or spokesperson. The job of a public relations director in a nonprofit organization is rarely boring but does require some special skills. Above all, the publicity director for a nonprofit organization must be an effective writer and general communicator.

The ability to tackle a problem from multiple perspectives is critical. For example, you have to have a keen eye for detail to make sure that an official agency communication is punctuated correctly. Simultaneously, you also need to see the broader picture by making sure the general message transmitted through your writing serves the organization's broader goals.

Typical job responsibilities for a public relations or communications director at a nonprofit are to create and edit materials designed for a variety of audiences, work with the local media, conduct research, advise management, organize special events, and serve as a contact for general inquiries about the organization from members of the larger community.

To do the job effectively, a public relations professional must know his or her organization intimately so as to be able to share specific details with individuals outside the organization. A PR director for an organization has only one item to share with outsiders—factual information. If you are questioned and don't know the facts about a particular matter, it is prudent to simply say you have nothing to add at this time or to vow that you will find out more quickly and report back. It is essential that you always maintain a reputation for delivering accurate information as the communications representative of your organization.

Most public relations professionals belong to one of the professional organizations in the field, such as the Public Relations Society of America or the International Association of Business Communicators, both of which feature a formal code of ethics for members to guide their work. These conventions stress truthfulness in all organizational communications and respect—consider it a professional duty—to the larger society when doing publicity for an organization. Simon and Wylie (1994) argue that a good public relations professional even serves as a sort of conscience for his or her organization by making others in the organization aware of how actions may be perceived by the general public or by otherwise monitoring the programs of a charity to make sure these services live up to what the nonprofit has promised.

Cutlip, Center, and Broom (2000, p. 526) list five aims for the public relations efforts at most nonprofit agencies:

1. Gain acceptance of an organization's mission.
2. Develop channels of communication with those an organization serves.
3. Create and maintain a favorable client for fundraising.
4. Support the development and maintenance of public policy that is favorable to an organization's mission.
5. Inform and motivate key organizational constituents (such as employees, volunteers and trustees) to dedicate themselves and work productively in support of an organization's missions, goals, and objectives.

Publicity and the Idea of a Public

To help with this work, public relations professionals use the concept of *a public* as a way to acknowledge all the different audiences served by an organization. Kotler (1982, p. 47) offers this definition of a public: "A distinct group of people and/or organizations that has an actual or potential interest and/or impact on an organization." As an example, Kotler says, think of a college or university and all the groups that have a stake in the success or failure of an institute of higher education. Obviously, students, as the primary client of a college, is an important group to consider, and there are multiple ways that official information is spread to the average student on a campus. However, faculty, alumni, prospective students (such as high school students), trustees, staff, residents of the local community, suppliers, and local government officials also have an interest in a school but may receive different communications and differing amounts of attention from the administration than an enrolled student.

When communicating on behalf of a nonprofit organization, the nature of your message and the type of people you wish to reach dictate your communications approach. Different strategies are called for if your message needs to be distributed broadly and to reach many different publics than if you present a narrower topic that affects just a small portion of the possible audience. In a world where technology has produced many different pathways for a message to be communicated, an effective communicator understands the habits and interests of the various publics he or she interacts with and knows the right ways to reach that particular public or audience.

Professional communicators benefit from systematic research as they gather information about the various publics they serve. For example, it is not unusual to see a PR professional conducting a survey to better understand such issues as the level of local knowledge about your organization, the community's attitude toward your organization, or the general communications needs of a group vital to your organization and the success of its mission. Once you have a good understanding of the audience or publics you want to reach, only then you should start developing communications materials to reach them.

Basic Publicity Tools for the Nonprofit

After learning about the organization and conducting general research, a newly hired PR director needs some basic materials on hand to develop the communications apparatus for a nonprofit. These prepared materials should be completed before beginning to develop professional contacts within the local media community.

The creation of a brochure is a routine task by even the smallest nonprofit since the completed work can be distributed widely in the community and is a standard feature in the reception area of nonprofits across the country. A folded, three-panel brochure printed on both sides of a standard page is the common format since many communities have existing brochure stands that fit this style, and materials in this format can also be arranged to ensure easy mailing to interested parties. While the size of the brochure necessitates brevity in the text, common elements are the organization's logo, which helps to build audience awareness, along with some brief general information about the organization and its mission. For readers who need more information, the organization's contact information including street address, telephone number, operating hours, and website address can be provided.

In addition to producing a brochure, it is advisable to have on hand some other materials, preferably limited to one page, that address other common questions about your organization. Examples are a short history of the organization, one-page biographies of the staff leaders and board members of your organization, and a brief description of your organization's mission.

Next, get a camera. One should be available at all events. Two maxims guide this advice: "A picture is worth a thousand words," and "if an event wasn't photographed, it didn't happen." With a good quality digital camera, you or a trusted volunteer can take pictures of your events and later distribute a courtesy picture to interested parties or local media outlets. However, for annual reports or other materials demanding high quality, it is advisable to hire a professional to take pictures of your board and officers. Pay special attention to legal concerns when photographing people. Individuals being photographed for publicity purposes should sign a release and be clearly identified at the time of the photograph, so you can write quality captions later. It is also of first-order importance to maintain the confidentiality of clients for some types of nonprofits in the human services area.

Remember that word of mouth is an important source of community knowledge about your nonprofit. How well do staff members handle the common ice-breaker questions of where do they work and what does your organization do? There is no reason to avoid working within the organization to develop the answers so that the message various people give about your enterprise is consistent and not simply a repetition of the organization's mission statement. One strategy is to create a short, easy-to-say statement of what your organization does and then work with employees, board members, and volunteers so that they can deliver this message consistently and sincerely (Feinglass, 2005, p. 29). This type of communications approach is sometimes called an *elevator pitch* due to the idea that it can be delivered to a stranger while you find yourself riding in an elevator.

Longer Organizational Publications

Many organizations produce newsletters as an important vehicle for bringing together the many people and activities of the organization into a brief capsule and to serve as a place for announcing future projects. Research shows that readers like newsletters that can be read quickly and feature articles that help the reader do or feel something positive. Newsletters can be done either in paper or in electronic format, preferably both. While printed newsletters cost more to produce and deliver than an e-mailed versions, printed materials have permanence and are more accessible to those outside your organization. While frequency varies, a general rule of thumb is to have an organizational newsletter produced at least a few times a year because a frequent publication schedule keeps outside stakeholders reminded of your current good work.

Obviously, the information found in a newsletter should be error free and the writing style accessible to the general reader. While it may be tempting to produce a newsletter mostly for the benefit of donor development, newsletters can also be an important internal communications device. For example, a newsletter can boost morale by reinforcing your organization's successes and by serving as a public forum to recognize the personal achievements of volunteers and staff.

Annual reports are often required by outside authorities who also may mandate the inclusion of complex financial statements, perhaps prepared by an outside accounting firm. The Better Business Bureau's Wise Giving charity watchdog, for example, requires that the annual report be available to any requester and contain, at a minimum, the organization's mission statement, summary of charitable work, and a list of officers and board members. Some nonprofits spend a good deal of money yearly going well beyond the legal minimums and create high-quality glossy reports that can be mailed to supporters. Naturally, such efforts require photographs and short reports about various aspects of the nonprofit's work in the previous year. All of these efforts typically require planning and support from the organization's public relations officer.

Many organizations take samples of the various printed products that have been recently produced and put them together into a media kit, which then can be given out to journalists. Special attention should be paid to making the kit reflect well on the organization and to keeping the elements together and organized. For example, a solid first impression will be made on a journalist if the organization's logo adorns a durable binding for the printed materials.

A media kit is designed to help a reporter doing a story on your organization and its mission. If appropriate, a personalized media kit that includes personal phone numbers for key contacts in your nonprofit should be given out. Such information greatly aids reporters who work after business hours to finish a story since they can get correct information when facing a publication deadline. A media kit can also include outside materials, such as recent newspaper and magazine clippings about the organization or positive reports about the nonprofit from outside evaluators. Sometimes, materials originally prepared for media kits are also shown to prospective donors See Box 73.1 for tips on writing media communications.

Communicating With the Media

A press release, also known as a news release, is used by an organization to make an announcement. Nonprofits can use a release to announce new programs, personnel changes, or upcoming events. Some news outlets may use the information verbatim over the air or in print, but larger news outlets often will use the information you provide as the basic building blocks for a story produced by a staff journalist, who will adapt the story to fit the style of the outlet.

Beckwith (2006) reports on the conventions for press releases. A release should be typed, double-spaced, heavy on facts (particularly related to the who, what, where, and when questions), use direct quotes from newsmakers, and generally be under 400 words. Press releases should be dated, may indicate when they are to be considered for publication (unless the information is for immediate release), and end with the famous three-pound symbol signs or the journalistic "-30-" symbol. Given how busy media professionals are, a release should have a catchy headline and the first sentence of the text of the release should also be gripping. Poorly written press releases are quite likely to end up discarded.

While the media release is a common first step to getting local media attention, it is not the only way to get your message into the local paper. Some charities have discovered that letters to the editor can affect local opinion. Often written by an officer or director of the charity, such a letter allows a representative to give his or her side of an event. While newspaper editors have final say in deciding on which letters will run, generally speaking, letters to the editor appear without much editing by the newspaper's staff.

Media Relations

A necessary bit of research for gaining local exposure for your organization is to know about potential places for your publicity materials to run. Start by compiling an accurate list of local media outlets including their addresses, fax numbers, and e-mail addresses. While you will lavish more attention on the news organizations in your area that are the most respected and reach the most people, every organization with at least one journalist on staff within reasonable driving distance should be included in your media directory.

Box 73.1 Tips for Writing Media Communications

1. Remember, you are not writing a term paper. Use words that ordinary people use and are understandable to individuals with at most a high school education.
2. Spelling and grammar count. Press releases and websites that have significant errors, even typographic ones, cast a writer and the sponsoring organization in a poor light.
3. Choose active and vivid verbs. Put these types of verbs into sentences of different lengths and also of varying sentence structures.
4. Be careful about being too enthusiastic. For example, media writings that overuse exclamation marks or superlatives (such as super or great) is not professional.
5. Be organized in your copy, and be sure to limit your main points. Keeping your message simple helps busy people to grasp it.
6. It is not necessary to fill up a page. In fact, white space is good since research shows most people just scan, not read, information presented to them.
7. Make sure your writing answers the basic questions a reader may have. For example, if publicizing an event, make sure you cover the basic who, what, when, and where questions.

One of the chief duties of a nonprofit PR person is to serve as the organization's media liaison, so it is wise to know how the newsroom of a local media outlet works. If you want to reach readers of the local newspaper, learn the name and direct phone number of the writer who handles nonprofit or community issues. As you start submitting materials for publication, work to obtain a basic understanding of the paper's submission policies, including the newspaper's deadlines and preferences governing the submission of photographs for publication. If your organization often has events with high profile speakers, consider the scheduling of a press conference or media briefing to gather attention and attendance for your event.

As you gather this information, don't lose sight of the fact that most media outlets are advertising driven since bringing public attention to products and services of companies is what produces revenue for the media, whereas the goal of most nonprofits, hampered by limited resources, is to get free exposure. While a discussion of creating advertisements is beyond the scope of this chapter, it is important to note that enterprising nonprofits may be able to obtain unsold advertising spaces at little or no cost. Through an outright donation to your charity of advertising space as a public service by a media outlet, you might be able to obtain valuable recognition for your organization simply through your contacts in the media community.

For example, many broadcasters reserve time for community organizations through the playing of short 15- to 60-second spots for local nonprofits. Often called *PSAs*, public service announcements at most stations require professional production quality for these messages in line with the station's policies for standard commercials, but smaller stations may help you produce one. Public service announcements generally air during commercial breaks when broadcasters have been unable to sell all of the available time to commercial sponsors.

Traditional Media

Newspapers, although struggling to retain readership, are often the best places to present your message since the newspaper's ability to reach older and more affluent readers is unparalleled. In big cities, a newspaper is put together in the late evening and made available to readers first thing every morning. In smaller cities, it may be distributed in the afternoons or published on a less regular schedule, such as once a week. Stories on the front page get the most attention, and editors will tell you that having an eye-catching picture attached to a story makes a difference in whether that story gets prominent placement.

Radio and television stations feature shorter stories than a typical newspaper and specialize in quick updates. Some stations also broadcast community calendar features that list upcoming local events, including ones held by nonprofits. For local radio stations, mornings are the most important time slot since these hours attract the most available audience. Many radio stations feature short news updates every half hour or so and may use a locally oriented, humorous approach to attract listeners as they start the workday. Getting an upcoming event for your nonprofit mentioned on a high-profile local morning radio show could generate great awareness and turnout for your event.

Of course, understanding your charity's audience and the sensibilities of the local media is your professional responsibility. A breast cancer awareness event would be a natural tie-in for a station with a largely female audience, such as a light rock station, while promoting the same event over a male-focused rock station could be a promotional disaster. Again, it is advisable to do your research before charging off seeking publicity for your nonprofit organization.

For local television stations, their highest levels of viewing are in the early evening. Thus, a story on your nonprofit during the 6 p.m. news will generate the most reaction in the larger community due to the number of people watching. Television news directors love stories that have great visual appeal and that touch viewers on an emotional level. For example, stories about children and animals are often featured since they boost ratings, but be mindful that the flow of television requires that the information presented be kept short in order to fit the technical requirements of viewing and audience expectations for television content.

In some cities, local cable outlets have a public access channel, which can provide some publicity for your nonprofit. For example, many cable systems will use the bottom of one channel to display continuously cycling information about local charities and events they sponsor. In general, such local cable publicity reaches a smaller audience and one that is more geographically concentrated than over-the-air broadcasting or a local newspaper. See Box 73.2 for tips on writing speeches or broadcasts.

Conventions of Working With Journalists

When dealing with your counterparts in the media, be aware that the key to getting good news coverage is to have a story that is interesting to the average reader, viewer, or listener. Naturally, compelling stories are considered by editors and producers as worthy of media coverage when time and space are limited. In terms of newsworthiness, some nonprofits find great value in having a celebrity attached to their cause, especially as a spokesperson. For example, if a local charity with the mission of combating cancer learns that a local sports professional has a spouse who is a cancer survivor, the shared battle can lead to a public partnership that mobilizes community support.

Box 73.2 Tips for Writing Verbal Media Communications (for Speeches or Broadcasts)

1. Writing a piece that is to be said aloud should be shorter and more informal and conversational than writing that is designed just for reading by the audience.
2. Writing prepared for delivery is double-spaced and paragraphs formatted for easy reading so that the speaker doesn't stumble or have undue pauses in delivery. To be as easy to deliver as possible, symbols are spelled out. For example, use the word "and" instead of & and "at" in place of @.
3. Write a speech or a broadcast piece as if you were talking to just one person, even if it is to be delivered to an audience of thousands.
4. The first sentence or two must grab the audience's attention or it is likely that people will tune out the rest of the presentation.
5. Be careful about using humor. Jokes that appear funny on paper can fall flat when actually delivered and, depending on the situation, may end up offending some audience members.
6. Simplify complex ideas into a form for the spoken situation that is understandable, yet still truthful. Generally speaking, live audiences don't get a second chance to grasp information that they hear or see, so the job of both the writer and presenter is to make complicated information crystal clear for a casually involved audience member.
7. Shorter and simpler talks that have been ruthlessly edited to improve focus will be the most warmly received by the audience.

A nonprofit public relations director needs to plan ahead to manage a nonprofit's major events, such as having a nationally known speaker travel to your organization's annual award dinner. In addition to producing a printed program for the event, coordinating outside press access to the event, or specifying audiovisual equipment to be rented for the night, you may find yourself pressed into helping your organization's executive director edit a speech or even writing the first draft of your board director's dinner comments.

If you have a major event worthy of press coverage, it is advisable to start working with the media 2 months in advance of when you would like to see a story in print or on the air. This lead time can be crucial to determining whether your organization's story will be prominently featured. For example, some broadcast stations plan out crew schedules weeks in advance. Even if your speaker is well known or your event is newsworthy, a television station may not be able to send personnel to cover your gala fundraising dinner on a Saturday night due to the fact that the crew is covering a sports event across town. In a similar vein, some news organizations require feature materials weeks in advance so they can be logged, screened by management, and put into proper format for publication.

A public relations director will strive to treat members of the media with the utmost respect. If the press is not able to give your event the coverage you believe it deserves, a public relations professional does not take it personally. Print and broadcast newsrooms are very busy places, and even in a small community, more events take place than can be reasonably covered. Perhaps the next event or press release you have will get better placement, but if you damage the relationship, you will not be given the opportunity to find out.

Future Directions

Many nonprofit professionals are excited about the explosive growth of the Internet as a way to communicate to the various publics served by a typical nonprofit. New media also offer a way around the journalists and producers who control access to the audience by allowing charities to communicate directly to their stakeholders without these media intermediaries. The ability to tap into a wider audience and receive audience feedback in real time means new media are changing how charities communicate.

In addition, generational differences are apparent when the users of new media are studied. For example, nonprofits report that younger donors are often more comfortable with technology and expect less formality in communications than their parents' generation. Broadening the pool of people interested in your profit, and therefore potential donors, is a key long-term goal for many nonprofits.

Early nonprofit websites simply took materials used for other purposes, such as printed annual reports, and repurposed them for viewing on a computer screen. Today, a good website has become more important than a brochure, and with standard software packages, a website can be put together without computer coding skills or breaking the budget. Sophisticated nonprofit websites have been created expressly for online fundraising purposes, although such efforts generally require help from outside the organization.

At a minimum, from a publicity standpoint, a nonprofit's website should contain a summary of the organization's mission and services. Ideally, the programmatic part of the website will be supplemented with rich media, such as pictures, audio, and video, to give a browser a fuller sense of what the organization does and how well it accomplishes its mission. In addition, the website should have a detailed "about us" section, including the street address of the nonprofit's main office, phone and fax numbers, and an e-mail directory, which can be used by both the general public and by media professionals. A good website also should contain current information about the nonprofit, such as copies of recent press releases and biographical information about the nonprofit's leadership.

Some charities have found the use of blogging to be an effective communications tool. A *blog*, a contraction for web log, can be thought of as an Internet-based column or diary, which may be read and then commented on by readers worldwide. Unlike a column in a newspaper, blog entries can be quite long and may feature audio, pictures, or video to supplement the writing. There are many different blogging providers, but some nonprofits are using Twitter, a short-form blogging service, to reach supporters with timely information.

Online social networks also have great potential for bringing nonprofits together with their supporters. The best known of these social networking sites, Facebook, is very popular on college campuses. Charities have used Facebook to attract supporters and also spur them to donate to their cause. In addition, Facebook allows individuals with common interests to share music, pictures, and notes freely. Of course, nonprofit public relations professionals who use new media need to be careful to both safeguard their personal privacy and maintain the reputation of their employers when working with new media.

While these newer media sites have the potential to increase the amount of two-way communication between a charity and their various publics, simply choosing these technologies without a clear purpose will likely be a poor investment of time. While the low cost of Internet communication, especially compared to the costs of producing and mailing printed materials, has produced explosive growth, resources must be invested in updating these sources of communication and responding to inquiries received from the public through these sources. Ignoring public comments and leaving stale information up on the web can be more damaging to an organization than being absent from the Internet.

Despite the proliferation of communications vehicles, the key decision of media placements needs to be guided by whichever medium most effectively reaches the right public or audience for that message, whether it is via a traditional media outlet, such as a newspaper story, or through the investment of time creating an organizational presence with social media.

Crisis Communications

The relationship between having in place an existing crisis plan and a nonprofit's ability to weather a crisis intact is hard to overstate. A quick look at the headlines gives some examples of what types of crises can occur. Nonprofits have faced the fallout of having a leader being exposed as a criminal, or even worse, having been the site for an act of violence to occur. External events, such as a natural disaster or an accident, also merit a crisis response. Since such unexpected events have the ability to damage your organization's good name and quickly change the public perception of you and your colleagues, a crisis without an appropriate organizational response can impact significantly the long-run ability to carry out the work of your organization. (See Box 73.3 for communication steps to follow in a crisis situation.)

Box 73.3 Steps in a Crisis Communication Situation

1. Involve key departments and outside organizations as you formulate your crisis plan.
2. Have copies of the detailed crisis plan easily available to team members.
3. Practice how you would handle a crisis situation on a regular basis.
4. Designate people who can declare a crisis is occurring and have the power to bring the crisis team together, even if to an emergency location.
5. Make sure the designated spokesperson has the right information available during the crisis. Outgoing information should come only from him or her.
6. The spokesperson must update regularly the media but avoid speculation. In a crisis, just stick to the facts.
7. After the situation resolves, follow up and thank the press, staff, and previous supporters.
8. When the crisis is over, evaluate what happened. Team members should learn from what has happened and modify the plan for when another crisis situation threatens.

SOURCE: Adapted from Neal (2002) and from Newsom and Haynes (2005).

For example, in 1992, United Way of America was rocked by published reports linking its longtime president to wrongdoing and unfair hiring. Despite over a century of service and billions of dollars in community grants, United Way, including local chapters across the country, became linked to the scandal. The national organization installed new leadership, reduced salaries, and expanded outside oversight in the wake of the media-driven fury. Some local organizations went to journalists in their hometowns to denounce the national organization and emphasize their autonomy. Some longtime supporting individuals and organizations even withdrew from the United Way movement. Today, United Way is a very different organization with reduced national impact due to the crisis ignited by an article in the *Washington Post* (Center & Jackson, 1995).

While all scenarios are not able to be forecast, it is important to have a framework that those involved in the nonprofit will follow. Many organizations have a written and detailed crisis communications plan available to staffers at all times (Seeger, 2006). The presence of a plan means that many difficult questions will have been addressed in advance and that employees involved in the situation will know their role in the response. Another advantage of the advance work needed for a plan is that relationships with individuals from organizations outside the nonprofit, such as local government agencies, will be in place and ready to use in other venues and efforts.

One Voice During a Crisis

During a crisis communications event, it is important that information from within the organization transmitted to external audiences be routed through one spokesperson, even if the same message is expressed through different media. This simple rule allows you to stay *on message*, that is, to provide a consistent and considered message and not have conflicting information from your organization getting out. Given her or his natural authority, often the CEO, or executive director, of the organization or board president does this job in a crisis situation, even if the organization has a full-time communications or public relations director.

Inevitably, no one likes to convey bad news and a crisis, especially one caused by a mistake or a crime, produces a tendency for an organization and its employees to withdraw from the public view. Often, a nonprofit's lawyer, fearful of future lawsuits, will urge that no information be shared outside the organization. Naturally, such advice puts the public relations director at the crosshairs of organizational conflict during an already tense situation.

Some organizations have found that an official decision to send a spokesperson out and deliver a "no comment" response in a crisis leads to more damage since inaccurate and more damaging rumors can spread in the vacuum that comes from the lack of official information. It is better that reporters learn negative or damaging information first from you rather than allowing inaccuracies and speculation to be reported without the benefit of a measured and balanced response that only comes when journalists get the other side of the story. Whether directed to give a minimal response or a fuller explanation, a wise spokesperson expresses genuine concern for those affected by the crisis and remains committed to truth telling, even in the middle of a deep crisis. (See Box 73.4 for examples of crisis scenarios.)

Box 73.4 Media Communications and Crisis Scenarios

Consider each of the following potential crises. What would be your initial crisis communication response? What would you do long-term to repair your organization's public standing?

1. A gunman walks into your office and begins shooting.
2. An employee of your nonprofit is arrested for having an inappropriate sexual relationship that developed due to her employment at your nonprofit.
3. After a severe storm, your office collapses and people are trapped in the rubble.
4. Individuals who have recently visited your facility are now sick, so the health department issues a statewide alert mentioning your organization by name.
5. The treasurer of your organization leaves town and thousands of dollars of your nonprofit's accounts cannot be located.
6. Unannounced, an investigative reporter for a local newspaper photographs your charity's CEO while in a public parking lot and then begins to ask embarrassing questions about charity pay and benefits, drawing from information in the public record.

Summary

A nonprofit organization that has a strong and distinctive public image in its community is more likely to be able to secure the resources it needs to fulfill its mission in the long term. Nurturing the public image of your organization is dependent on relationships with local media professionals, which can be grown only over time and must be based on sincerity, openness, and mutual respect. Refining and updating your organization's media materials, especially those involving new media, should be regularly done, especially since these newer electronic outlets give you the opportunity to speak directly to individuals who may be unfamiliar with your organization but in the years ahead could become major supporters of your nonprofit.

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74

Role of Nonprofit Leaders in Evaluation and the Use of Logic Models

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Results are the new imperative in the nonprofit sector. They are what donors seek, funders demand, and trustees expect. And they are increasingly difficult to achieve as seemingly intractable social problems, complex systems, rapid change, and many players fill the landscape. Whether a public, private, nonprofit, or hybrid—results are the brass ring all organizations need to prove their value. They are the most critical and challenging work of leaders, managers, and their teams. Results reflect the change(s) sought whether an absolute measure, such as a decrease in infant mortality, or an increase in literacy. They are also defined by different attitudes, knowledge, and skills. Most people can name their desired results with specificity. It is a taller challenge to explicitly name reliable routes or strategic roadmaps to achieve them. Identifying the sequence and scope of actions that will achieve results can be overwhelming.

Inevitably, the *results imperative* means generating change and change isn't easy to achieve. The resources and processes these efforts require are often underestimated. And under pressure, busyness can overwhelm the ends an organization seeks. In his most recent text, *A Sense of Urgency*, John Kotter (2008) writes that 70% of change efforts fail. Part of Kotter's response is creating a culture with an action bias. Beyond culture and clear expectations, it is also helpful to identify and use potent tools that support performance. Securing results, often by leading social change, is the principal responsibility of the nonprofit sector.

Sector Growth and Pressure

Better tools and practices to ensure change are even more important as the sector continues to experience unprecedented growth. The Urban Institute based in Washington, D.C., documents this expansion of the nonprofit sector. For the period, of 1995 to 2005, nonprofit revenues grew by 77% and total assets by almost 55%. This contrasts with growth in U.S. gross domestic product of 35%. There are now more than 1.4 million nonprofit organizations in the United States (Blackwood, Wing, & Pollack, 2008) whose efforts contribute to civil society. The work of these charitable organizations ranges from arts to education, health care, and human services. Each aspires to improve some element of our social conditions.

These organizations and their leaders take on valuable and very difficult work. As government revenues shrink, the nonprofit sector is expected to be even more effective. In this context, effectiveness requires real and sustainable results. This challenge falls to leaders.

Author's note: The author acknowledges the contributions of Models 1 to 3, cocreated with Cynthia C. Phillips, PhD. Cynthia's com ments on a draft of this content were helpful. Thanks also to Battle Creek Unlimited CEO, Jim Hettinger, for sharing about his success ful work. And gratitude to Tim for so many reasons, always.

What Leaders Do

Among practitioners and theorists, a common list of responsibilities of every nonprofit leader includes visioning, planning, communicating, learning, and assessing. Leaders make many important decisions; they secure talent, define direction, and allocate resources. An agile, responsive leader also consistently seeks new information and knowledge to use in organizational and personal performance. At the heart of these responsibilities is the essential need to develop and execute strategies.

Strategies Matter Most

Great strategies are the key lever to securing results. A strategy is generally understood as a selected action (or actions) to achieve a clearly named objective. Strategies are the "do" that nets the "get." Nonprofit leaders need new literacy and tools in strategy development. They also need to be willing, as learning leaders, to use inquiry as they pursue organizational performance. Logic models are an emerging and effective tool to support the critical choices in strategy development.

Logic models can be an important tool that describe strategies, organize the relationships among complex pieces, and provide a shared "action map." Most logic models are developed with the active participation of other stakeholders and therefore require leaders who are inclusive. In the political contexts often present for nonprofit organizations, logic modeling can be used to identify and navigate differing opinions about the best way to achieve desired ends.

Capable leaders use the compelling mission of their organizations to attract talent and financial capital while thoughtfully considering best strategies. Strategies are implemented and adapted with a singular intent of making progress toward results. Like a ship's captain, effective nonprofit leaders aim for a specified destination but recognize that course corrections are inevitable.

Choices and Focus

Effective leaders are willing to make tough choices. They consider evidence along with other objective information and make decisions that deliver results. Leaders with a laser-like focus on achievement value alignment of strategies toward results. They also demonstrate an unwavering discipline that keeps people and their work aimed at explicit outcomes. Because they will take risk and understand the importance of communications, they state intended results both internally and externally.

Consider the example of the Lumina Foundation located in Indianapolis, Indiana, which focuses on postsecondary educational achievement. In its broadly disseminated public communications at its website, the Lumina Foundation states its goal: "To raise the proportion of the U.S. adult population who earn college degrees to 60% by the year 2025, an increase of 16 million graduates above current rates" (www.luminafoundation.org/our work). Underneath this specific result is the belief that education is critical for individual opportunity, economic vitality, and social stability. Through its explicit declaration, the foundation has publicly cited its intended results and is now organizing its operations to achieve them. The CEO, trustees, and staff have put a stake in the sand about their organizational outcomes. Lumina's public statement (although relatively infrequent among foundations) is *not* unusual for the nonprofit sector. The dilemma they share with more than a million peer organizations in the United States is discovery and implementation of the optimal combination of strategies, activities, and tactics that will ensure they reach named results.

Logic models can be integral tools for managing and leading because they take aim at results and specifically describe options to secure them. Models can provoke better thinking. Moreover, they are flexible aids for design, plans, implementation, and evaluation. Employed across these functions, logic models can also support communication and learning. Because of their practical and proven value in the nonprofit sector (including philanthropy) and government, the use of logic models is on the rise.

What Is a Logic Model?

Logic models might be considered equivalent to a recipe, formula, road map, or blueprint. They describe actions that will best yield a desired change. A logic model is a graphic display of specific elements that represent planned work and intended results. At a given point in time, logic models represent a "snapshot" of shared thinking by a group or team. More important, logic models are complementary to, but slightly different from, a logical framework (or logframe)—often used in Europe.

Logic models display important relationships and connections: between parts and the whole, among strategies and results, about *doing* and *getting*. Logic models are not infallible or perfect. They all have some flaws and can vary considerably in both appearance and quality. But logic models do represent an emerging tool (and technique) that have substantial potential if your organization desires better thinking and improved results.

Logic Model Uses and Benefits

Logic models can return significant value to your work. The most important benefit is their potential to clarify and improve thinking—critical to securing results. Many people and organizations in the nonprofit sector find them highly useful for design, plans, managing, and evaluation.

Logic models can

- help determine optimal scenarios through the exploration of options;
- support decisions about resource allocations;
- improve programs by describing strengths, flaws, and gaps in logic;
- recognize corrections and changes in operations over time;
- promote better understanding, consensus, and teamwork;
- define evaluation focus and priorities; and
- increase communication effectiveness with multiple audiences.

In communications alone, logic models have particular utility. During their creation, naturally, a substantial volume of ideas can be exchanged and learning of all kinds can occur in this process. A logic model can offer an efficient way to explain a comprehensive view or a bounded picture of a selected piece in a bigger system. As a "picture," a logic model represents far more than the old saying about "a thousand words." Modeling, which is simply the generation of multiple iterations or versions, has important process benefits included in the list above. The shared efforts of building and then revising models offer a way to include individual contributions and discover promising combinations that result because of the interactions among multiple participants. When capably facilitated, modeling can identify both shared and distinct norms, experiences, training, and knowledge.

Types: Theory of Change and Program

In *The Logic Model Guidebook* (Wyatt Knowlton & Phillips, 2009), Cynthia Phillips and I define two types of models: theory of change and program. Obviously, theories of change and program can be expressed in many ways, but we parse model types in a dichotomy even though their functions and subject matter contents reflect a huge range. Logic models are the architecture or format for particular content.

A theory of change explicates why something might work (a hypothesis). Or it reflects something that does work (a prescription from evidence). A theory of change logic model describes what you will do and your intended results. It provides a high level narration about selected strategies that once deployed will subsequently generate a specified outcome. In Figure 74.1, the two basic elements of a theory of change model are shown.

Program logic models expand the detail of doing and getting. Typically, they include several more elements: resources, activities, outputs, outcomes (short, intermediate-, and long-term) as well as impact. The resources, activities, and outputs comprise the doing. The timed outcomes and impact reflect getting (or results). A program logic model can describe something as simple as a single event, like a parenting seminar, or as complex as a decade-long,

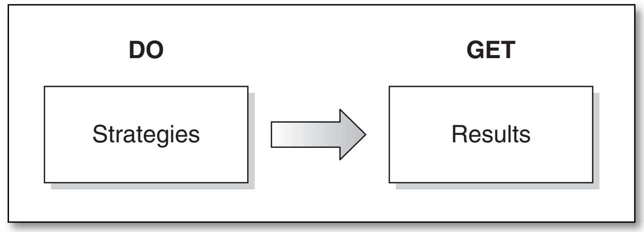

Figure 74.1 Theory of Change Logic Model Elements

SOURCE: Wyatt Knowlton and Phillips, 2009.

multiplayer conservation movement. In philanthropy, an initiative often refers to a portfolio that includes multiple programs, a collaboration of organizations, or a consortium. Figure 74.2 shows the five basic elements of a program logic model. While there is some variation in how these elements are defined and used, the following lexicon reflects common practice.

Resources are the essential inputs to ensure program or organization activities can happen. They are often human, financial, and organizational references. Without these, a program or change effort isn't possible. Sometimes inputs, assets, or capital are used as synonyms for resources. Resources are what any effort needs to begin change work and their continued viability can be an important factor in sustainability.

Activities are specific processes, events, and interventions chosen to compose the program (or initiative). Activities anchor the specific work that will secure changes or results. The choice of activities is absolutely critical in the determination of chances for success. At a "high level," these reflect strategies. Depending on the level of detail, activities can actually range from general actions and processes to tactics.

Outputs generally describe what preceding activities produce. They quantify and qualify what occurs as a result of the designed program (or initiative). In essence, outputs are the yield or production. Outputs help define process indicators for evaluation. They can be used, in part, to determine and inform progress about activities.

Outcomes depend on the combination of the assembly and implementation of resources, activities, and outputs. They also reflect the influence of assumptions and environmental factors (whether named or not). The time spans for short, intermediate, and long-term outcomes are situational and self-defined. These intervals depend largely on context as well as the size and scope of the change effort in play. It is important to be realistic about the relationship between the resources, activities, and likely outcomes.

Impact is synonymous with vision and result. Results are the *end change* expected from the program or initiative. The results are about the difference that was made. They are most often about people, organizations, and society, for example, less sexism, more enterprise, a dam built, malaria eliminated, or a war ends.

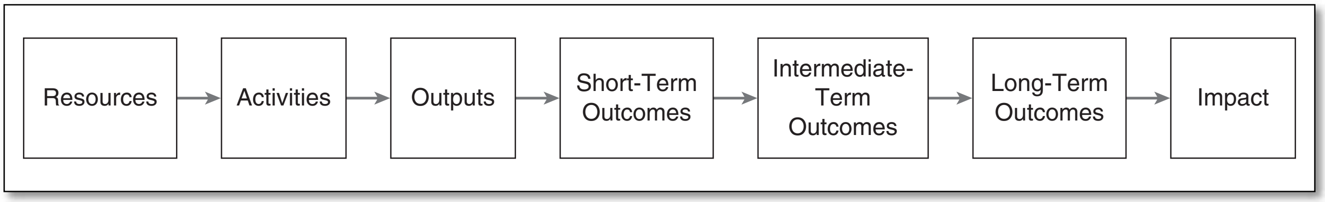

Figure 74.2 Program Logic Model Elements

SOURCE: Wyatt Knowlton and Phillips, 2009.

Explicit Barriers, Facilitators, Assumptions

In addition to the elements here, sometimes program logic models also name the shared assumptions of those creating the model along with environmental barriers and facilitators. For example, if the program logic model is focused on school improvement, then federal legislation like the No Child Left Behind (NCLB) Act of 2001 (Public Law 107-110) might be named as a facilitator because it is an important external factor that influences schools. Similarly, reduced state revenues could be cited as a barrier. A list of assumptions might include statements such as, “We believe all children have the potential to exceed our expectations,” and “teaching quality is a weighted factor in student learning.” These supplemental elements can help those using the model to better understand context and the lens stakeholders used in the model creation.

How Types Differ

Differentiating between theory of change and program models can be helpful in understanding what each can require as well as their best use. Theory of change models don’t reference time, they are independent of it as a simple statement of action relative to result. In this sense, they are “generic.” They don’t, generally, have much detail and include just a few or short listings of strategies. In contrast, time is important in program logic models—especially since the outcomes are named against a time sequence. The relative level of detail in a program logic model is also greater than a theory of change model. Program logic models include many more elements, specify target audiences, and use a vast array of graphic design options. When considered relative to a theory of change, resources, activities, and outputs are parallel to doing, or strategies. The time-referenced outcomes and impact are the details that constitute getting, or results.

Regardless of which is tackled first, creating both a theory of change and program logic model ensure valuable explication of your work. The model product and its associated processes have important benefits. Both types are best constructed by starting with the end in mind: intended results.

Building Logic Models

The Power of Display

Most people (although not all) are visual learners. It is generally very effective to link concepts, ideas, data, and other information with images. Displaying information in a model can enhance both thinking and learning. Studies (Institute for the Advancement of Research in Education, 2003) have specifically found visual display can support critical thinking, retention, comprehension, and organization. Further, individual and team learning occurs when new information is shared and there is reflection on changes relative to earlier attempts.

Logic models can be powerful when used to communicate because their display often relies primarily on limited text and graphic elements (boxes, arrows, etc.) in contrast to lengthy narrative. However, it is important that models have the benefit of verbal support or presentation because their interpretation is the key to shared understanding.

Engagement and Construction

There can be tremendous value in working with a team or task force in the creation of a logic model and its iterations. The experience of shared construction adds content value to the model. It also promotes healthy group dynamics through an approach that explores varied viewpoints and builds on each other’s perspective, experience, and training.

It is best to start with a theory of change model because it is easier to create and requires less detail (see Figure 74.1). To begin, dialogue should focus on inquiry, exploration, and discussion about intended results . . . until shared understanding and agreement is reached. Next, evidence-based strategies, which might achieve results, are listed. These two steps can generate a draft theory of change.

Building a program logic model can be done in many ways, but the sequence of steps my business partner and I have used with success are shown in Figure 74.3.

We begin with the intended impact of the organization or program efforts. The impact describes the vision or “big” end-change sought (Step 1). Once this is named, it is important to consider the outcomes possible to achieve over time (Step 2). Citing the results anchors the intention

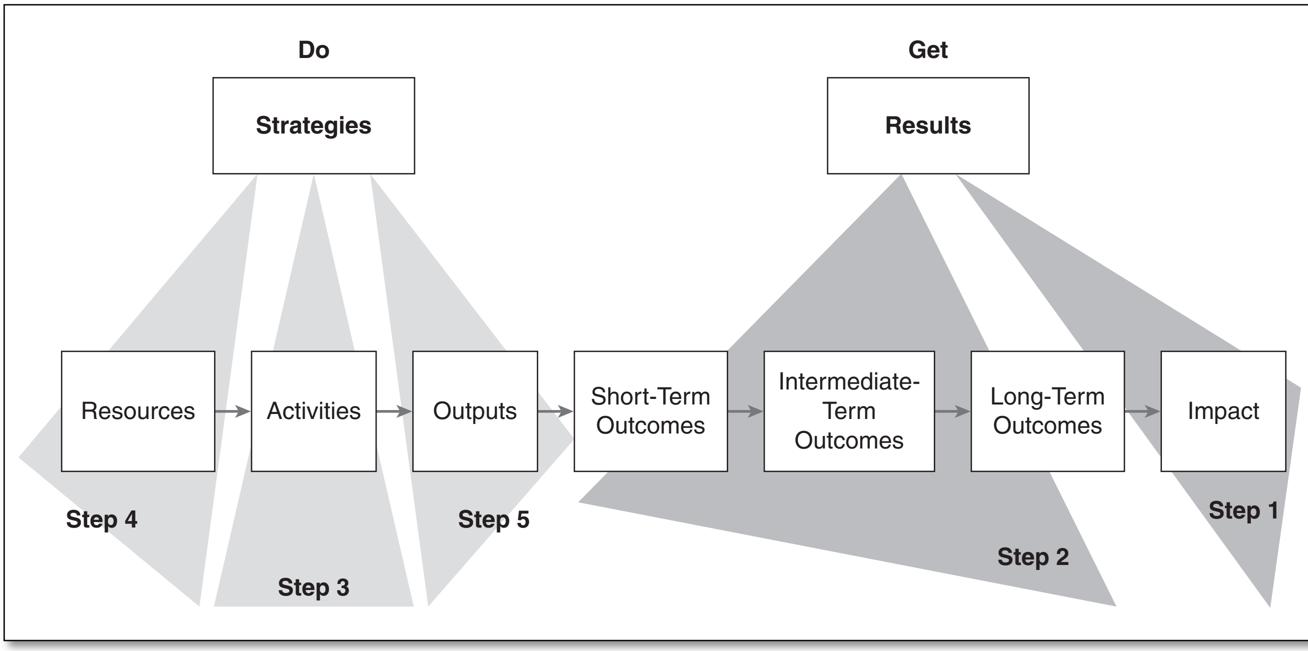

Figure 74.3 Program Logic Model Action Steps

SOURCE: Wyatt Knowlton and Phillips, 2009.

of the work and provides a target of what you hope to achieve. Logically, activities are named next (Step 3) as they are the choice of action(s) you think is necessary to get to the specified results. Once actions are identified, it is possible to describe what inputs or resources (Step 4) are essential to the preceding actions named. Finally, outputs (Step 5) are cited last as they provide a quantitative and qualitative accomplishment of activities.

Models can become more complex and more useful with additional levels of detail. It's important to be aware that most programs and organizations have multiple strategies and multiple outcomes, even if aimed at a single impact. Recall that some program logic models include "extra" elements such as assumptions and external barriers and facilitators. Simply naming these extra elements during the creation process can be helpful since they may generate implications that should be addressed in some adjustment of the model.

A Draft Model

A simple theory of change model for an organization like the Global Food Program might look like Figure 74.4, which has four big strategies to secure its impact of "reduce global hunger."

The program logic model could specify short-, intermediate-, and long-term outcomes, such as new awareness of nutrition, an established food distribution system in Central America, and sustainable agriculture in a region of Africa. And the big four strategies get parsed into activities, resources, and outputs for each one named. Implementation of a food use campaign might be an example of an activity under the strategy of nutrition education. Resources (for any strategy) might include food donors, staff, facilities, technology, and supportive public policy. And outputs could be the volume of food delivered or seed planted.

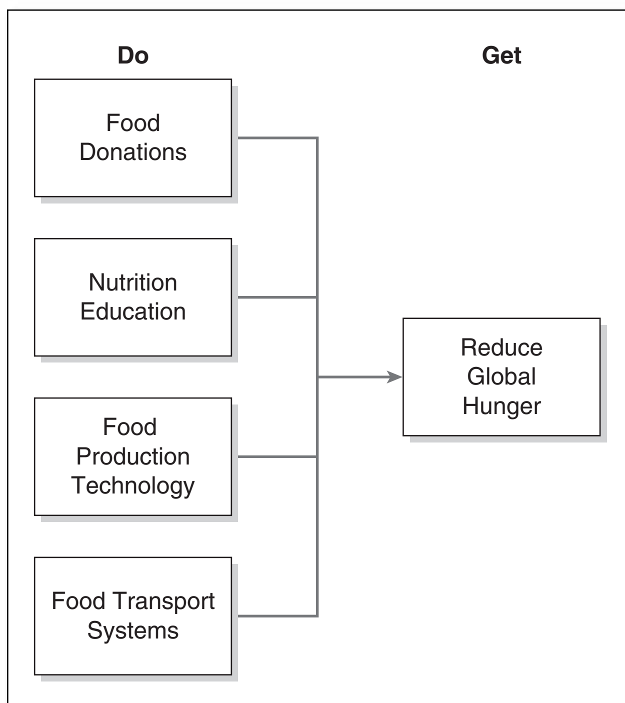

Figure 74.4 Hypothetical Theory of Change for Global Food Program

Quality: Better Models for Better Strategies

Creating a first draft model gets things started, but subsequent critique and revision are important, too. Modeling, which means iterative alternate versions, is essential to model quality. Moving from narrative to display is an inadequate standard. Choices integral to the model content should reflect improvement from one version to the next. This builds credibility for the selected strategies and the whole "scheme" by displaying relationships between elements and their contribution to results.

Challenge of Time

Logic models are never "perfect" for at least two reasons. First, any model or written narrative that represents ideas, concepts, or plans is subject to the passage of time. Over time, conditions as well as knowledge change. Although some facts endure, the dynamic of time ensures that new experiences generate new understanding. What works under current conditions may not work under new ones.

Time and related change are simply and best addressed by employing knowledge. Research, theory, and practice (components of knowledge) are important considerations in determining the quality of logic models. One that relies on evidence has greater chances of success than one without. Most logic models are projections of expected events, planned so their yield (results) are an incremental improvement over past efforts.

Using Knowledge

For example, let's consider this assignment: Create a program logic model for improved Lake Michigan water quality. If we use knowledge, we should be able to build a water quality program model that is *at least* as effective as current practice. We may even be able to generate a model that is more efficient or effective if we are willing to try new, untested innovations. It is highly sensible to rely on retrospective proofs to construct the best possible prospective program plan. In practice, this means I might look at water conservation literature and review recent studies about effective (and failed) water quality programs that mirror a similar context. It might also be important to consider relevant environmental research along with emerging theories about water quality. Through these steps, there is intentional discovery and use of current knowledge, as well as consideration of new approaches.

Finally, it could be a good idea to name what participants believe about what influences water quality, as those perspectives may also color the possibilities of our planned work. The aim, in concept, is to build the best possible program model with what is known (through tested, prior efforts). Sometimes logic models are built to test hypotheses. In these situations, current knowledge may not be available or relevant. These logic models can generate new options through incorporating activities in new combinations and trying ones previously discarded or overlooked.

People and Context Challenges

The second reason models aren't perfect is rooted in their origin. Because individuals and groups create models, they often include the unintended features of their authors. Inevitably, models map our thinking—including our biases, perceptions, assumptions and the social context of any given work group. People and their organizations certainly affect the logic models they build together. Blind spots, myths, "leaps of faith," and vagueness can plague both people and the models they create. Sometimes, errors in models are an unintended mistake. Other times, conscious attempts to use the model to accommodate politics promote a false perception, or intentional persuasion influences elements or relationships among model elements.

Questions for Rigor

Many workplaces welcome questions—some don't. The frequency and depth of inquiry can be an indicator of an organization's learning culture. Leaders who understand and expect accountability welcome questions. They often use inquiry and consider it a way to learn. Rigorous questions can be very helpful in critical thinking that develops better strategies displayed by models. In practice, most experienced management consultants use questions as a way for clients to consider and reconsider their own choices. It may be helpful to remind your colleagues that the questions are about the work, not about them.

In much of the consulting my partner and I do, we actually suggest a *mark up* process for logic models that mirrors the work done in creating legislation. In this process, inquiry and critique is applied, literally, to the draft logic model in a dialogic exchange. Systematically, you can review a logic model by asking, first, Are the results named clear, plausible, or feasible? Then, ask some questions about outcomes and their relationship to strategies and activities. For example, do the outcomes make sense for the time, resources, and strategies named? Are there other strategies that might be a better combination? Do we have the right staff to implement these strategies? Is there too much or too little in the model for our organization to accomplish? What assumptions does this model suggest we share?

The ultimate judges of logic model quality are those who use them. This question is a reasonable litmus: Did the model do the job it was built to accomplish? From experience, in most circumstances, the work will be far better planned and more likely to achieve success because of the explication, critical thinking, and questions provoked via modeling. There are no substitutes for proven practices, literature, and existing knowledge in the creation of logic models. The best models use these as foundations, then build on this content by engaging diverse experiences, perspectives, opinions, and training of participants.

Logic Models in the Field

Renowned nonprofit, nongovernmental organizations, and U.S. federal agencies use logic models in a range of subject matters and multiple purposes. A small sampling of organizations includes the following:

- The Centers for Disease Control (CDC) uses logic models in most of its program areas and initiatives. For example, its Workforce Health Promotion as well as Heart Disease and Stroke Prevention programs encourage the use of logic models for state-level partners to describe their initiatives. These models later anchor evaluation design and implementation. For each health challenge, the CDC provides a template to jump-start model creation while recognizing each program model is considered unique and that it is distinguished by virtue of the particular culture, conditions, and context it represents.
- The World Bank offers its employees professional development (or continuing education) in monitoring and evaluation. These courses, held in Vienna, Austria, draw professionals from across the globe. The curriculum addresses fundamental concepts and methods of monitoring and evaluation with logic models as a central tool. Government representatives, project teams, nongovernmental organizations, and World Bank staff use models as a way to describe and integrate relationships among performance management, monitoring, and program evaluation. The World Bank employs logic models in a vast range of subjects. One research committee, a few years ago, even used logic models for determining efficiencies in coral reef management and protection.
- United Way of America affiliates use logic models as a standard format for program funding requests and evaluation. United Way organizations from Atlanta, Georgia, to Manchester, New Hampshire, to Portland, Oregon, and in Canada expect nonprofit organization staff to understand and use logic models for the design, planning, improvement, and evaluation of their local program efforts. In 1996, the United Way of America produced and broadly distributed one of the first manuals citing the utility of logic models for evaluation design.
- The David and Lucille Packard Foundation uses logic models inside and outside the organization as a standard practice. Packard staff members use them internally to share draft maps of program designs they think may work and to manage and to evaluate their efforts. They require grantees seeking funds to submit their proposals with a logic model as a key element. Gale Berkowitz, PhD, director of evaluation, indicates that the "theory of change and logic model(s) are essential components of good programmatic strategy development and management necessary to help us achieve greater impact in our work" (Wyatt Knowlton & Phillips, 2009, p. 99). This foundation is a pioneer in their use of logic models for strategic planning, communication, monitoring, and evaluation.
- The Office of Juvenile Justice and Delinquency Prevention (OJJDP) is a funder for many community and regional nonprofit organizations that provide direct service. In its block grant program, Juvenile Accountability Block Grants (JABG), models describe program design but are also essential to determining measures of progress. Figure 74.5 displays the JABG model. Read from left to right, this display begins with problem and subproblem columns. It provides placeholders for activities that focus on the improvement of systems and programs as well as measures that indicate progress toward results for juvenile delinquency.

Since logic models reflect our mental maps for change, sometimes they appear in public policy discussions and even best-selling books. Thomas Friedman (2008), the highly regarded Pulitzer Prize winner and foreign affairs columnist for the *New York Times,* provides us with a terrific example of a theory of change in his popular book, *Hot, Flat and Crowded.* In a letter equation, Friedman wrote, "REEFIGDCPEERPC<TTCOBCOG." Decoded, he defines a prescription for "a renewable energy system for innovating, generating, and deploying clean power, energy efficiency, resources productivity and conservation is less than the true cost of burning coal, oil and gas" (p. 198). Friedman writes eloquently about U.S. energy challenges, and then, he provides convincing evidence-based remedies. He suggests strategies that can replace the current "Dirty Fuels System" with a "Clean Energy System."

A Logic Model Application in Economic Development

One highly regarded economic development corporation recently used logic models as the centerpiece for self-study. Ultimately, the models and the study provided proof about strategy choices and organizational merit. At the start, the organization's capable chief executive officer wanted to explore what might be appropriate elements of an evaluation system and get a quick look at selected aspects of return on investment. Logic models were generated and used to describe strategies and results. Through the study process, the strategies relied on for several decades were "tested" for value.

Economic development, like other social change is difficult and complicated work. The volume, dynamics, and complexity of variables at play in the attraction and retention of enterprise are immense. Experts agree that even when economic development organizations do all the right

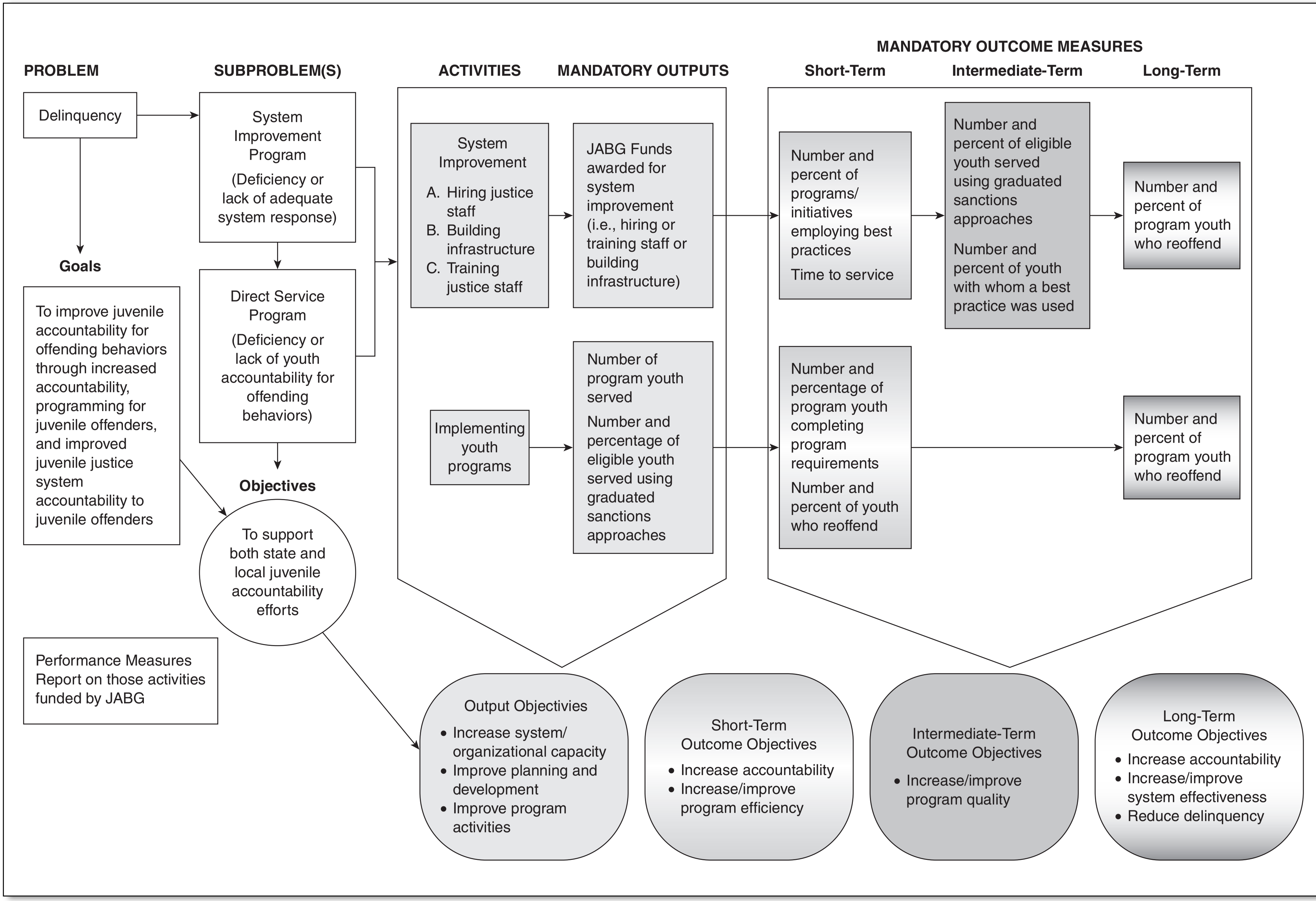

Figure 74.5 Juvenile Accountability Block Grant Logic Model Template

SOURCE: U.S. Office of Juvenile Justice and Delinquency Prevention, 1997.

things well, they may not secure a new or expanded enterprise. However, doing the right things well is requisite to any prospects for success. While the tangibles of roads and sewers and taxes and labor qualifications are obvious, the more subtle challenge of this economic development effort is growing an appetite for how the local community appears to market prospects.

In this application, the local economic development focus is to develop and promote community assets. This reflects its theory of change. While the economic development corporation is a leading and primary agent in this work, it is not alone in what contributes to prospects' perceptions of area assets or limitations. The implicit and explicit interdependencies that establish a "system" are important lenses to view this organization. This *systems view* requires the organization to attend to assets it influences, directly and indirectly. The work controlled most directly by this organization is primarily asset promotion, with some work in asset development. Its "indirect" work is mostly associated with community quality of life (such as improving health care, education, culture). However, these circumstances clearly describe why economic development "progress" means this economic development corporation is also highly dependent on partnerships with other non- and for-profit entities.

The "theory of change" (Figure 74.6) model indicates the focus is to develop and promote community assets. In turn, this development and promotion will yield increases in enterprises (and associated benefits, e.g., growth in wealth). This model indicates the development and promotion work of this economic development organization relies on some preceding conditions, which reflect work inside the community and with partner organizations. Externally, it aims for attraction, creation, expansion, and retention as outcomes. The program logic model (see Figure 74.7) reads left to right. Primary to asset development, this organization's activities include the development of "hard" infrastructure (e.g., roads, airport, facilities, telecommunications) and "competencies" (e.g., e-learning options, workforce development, global connections, and acting as a catalyst for quality of life in the community). Generating local incentives and marketing are essential strategies to asset promotion.

Nearly all of the work in asset promotion is directly influenced by staff while work in asset development has greater dependencies and interaction with other resources. Note that "partnerships" are very prominent and precede these activities as an important input. In fact, they are the intended work strategies as a key platform for all the other strategies named. It is also worth emphasizing that attraction and retention is largely dependent on asset promotion tactics: incentives, responses, and relationships. Asset development involves mostly infrastructure and workforce issues.

These models provided a common platform for inquiry, data collection, and analysis. Evaluation findings were described relative to job growth, taxes, and space utilization. From these data, a reliable construct for return on investment was generated. And using an industry standard multiplier, it was possible to suggest this organization's significant positive effect on area employment rates, family income, schools, local enterprise, and city taxes. The CEO used the models to document both Battle Creek Unlimited's valuable contributions and as a blueprint for future work.

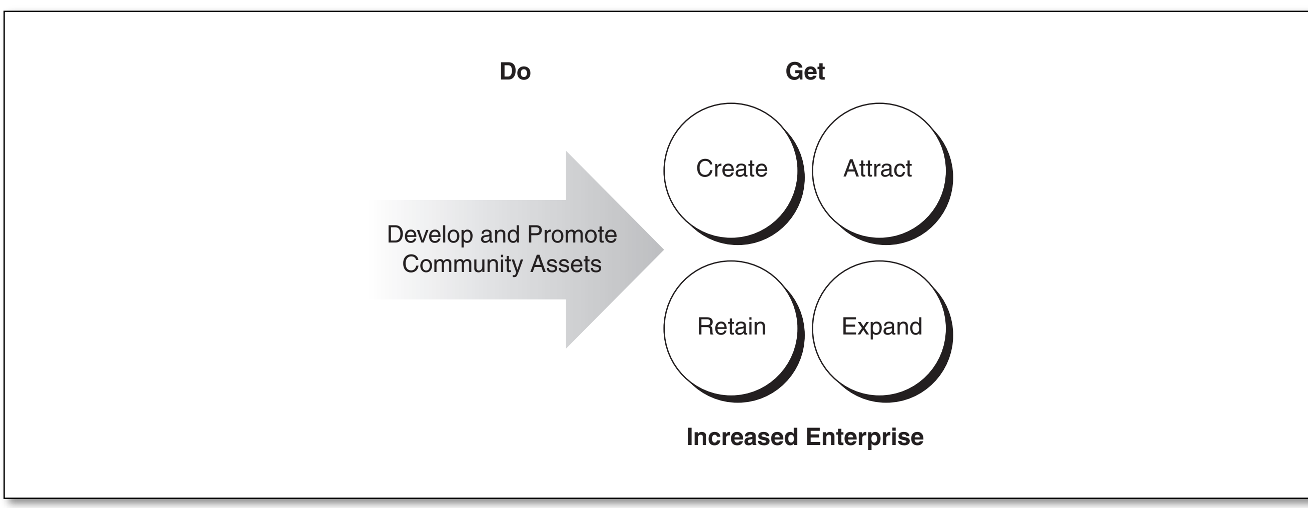

Figure 74.6 Battle Creek Unlimited Theory of Change

SOURCE: Phillips Wyatt Knowlton, 2008. Created by Phillips Wyatt Knowlton, Inc., for the Battle Creek Unlimited program.

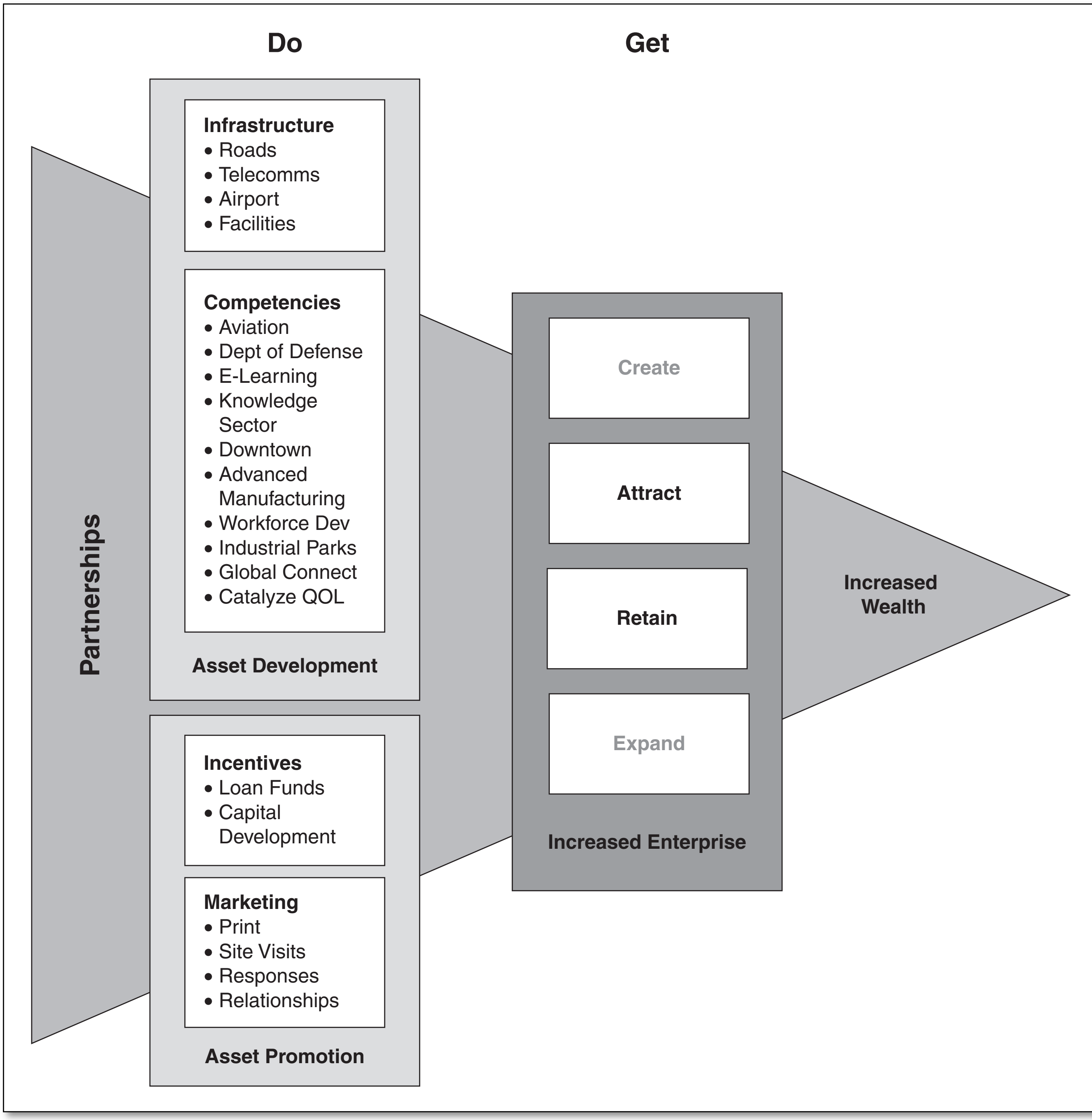

Figure 74.7 Battle Creek Unlimited Program Logic Model

SOURCE: Phillips Wyatt Knowlton, 2008. Created by Phillips Wyatt Knowlton, Inc., for the Battle Creek Unlimited program.

Summary: Logic Models for Leaders

Leaders, through the people and organizations they serve, are invariably expected to deliver results. This requires a panoply of knowledge, skills, and tools. Over the past decade, the United Way of America and the W. K. Kellogg Foundation have helped popularize logic models for evaluation through widely distributed publications. Logic models are now beginning to be recognized as important tools in securing results because they support strategy development.

Current nonprofit practice in choosing strategy often relies on a single individual who prepares a written document, then wide-ranging discussions are held and some direction chosen. When logic models are used, evidence-based versions of the intended work (strategies) and related results are displayed and tested for an optimal combination. External conditions and assumptions are also named. In this way, logic models offer a view of an explicated and cogent whole that can be adjusted based on the experience, training, and knowledge of participants. Field knowledge in the relative subject matter is also a resource. Because most people are visual learners, the graphic display of a logic model avoids the interpretative challenges of lengthy narrative and can be a real-time aid for discovery and learning. The process of modeling engages stakeholders. It has its own yield as diverse opinions and experiences are honored while facilitation forces a review of the best choices designed to secure shared and explicitly named results.

Logic models don't fix a workplace wrought with role confusion, inexperienced staff, loads of politics, or poor implementation. They are not a turnkey remedy for inadequate structure or culture. But they are a potent tool that can focus priorities and communicate complex change. They also assist with alignment and synergy. Most importantly, logic models can help leaders organize and improve choices about the "right work" to achieve results we all need.

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75

Role of the Nonprofit Leader in Managing Risk

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This chapter of the handbook will examine the role of the nonprofit manager in managing risk. Risk management is a traditional function of business management in general. The chapter will first examine the traditional view of risk management in business and then compare that business view with the unique concerns of managing a nonprofit organization. In particular, the chapter will focus on the unique aspects of controlling risk as related to the individuals who receive services from a nonprofit organization. Also, the chapter will focus on the more prominent functions of anticipating risk and risk reduction in the management of nonprofit organizations as compared with a simple insurance model. Finally, we will present an outline for the process of developing a risk management plan.

To consider the nonprofit manager's role in managing risk, we need to examine the traditional business concept of *risk*. The *Merriam Webster Online Dictionary* defines risk as the "possibility of loss or injury." This first definition is supplemented by the insurance related definition: "the chance of loss or the perils to the subject matter of an insurance contract; *also*: the degree of probability of such loss" (http://www.merriam-webster.com/dictionary/risk). This second part of the definition represents the classic, for-profit business concept of risk management: to anticipate and control for the loss of assets of the company. In this business mind-set, the major activities for a manager involve evaluating the cost and probability of loss and using this information to estimate the appropriate level of insurance to protect against such loss. In a traditional business model, loss is a cost of doing business and a company needs to determine what types of loss can be met with normal operating expenses and what types of loss require an insurance policy (and thus the ongoing cost of an insurance premium).

For example, for a company that manufactures pens, the cost of routine maintenance and repairs of its machinery is considered an inherent cost of business. The company would likely pay for these costs as part of its normal operating expenses. However, a critical failure of its overall assembly line would likely engender a very large expense. Many corporations would consider carrying an insurance policy to protect against such an occurrence. The insurance company will charge a premium based on the expected likelihood of such a fatal failure of the equipment. The cost of the insurance premium is then calculated into the cost of doing business.

Overview of Risk Management in a Nonprofit Organization

In a nonprofit organization, the management of risk entails a wider range of responsibilities. Surely, a nonprofit leader has a fiduciary responsibility to manage and maintain the tangible assets of the organization. But for a nonprofit leader, the responsibility for managing risk neither begins nor ends with the financial resources of the organization. A nonprofit organization, by definition, exists because it is serving some type of public interest. In a majority of instances (61.2%), a nonprofit organization is a public charity providing goods or services that support a chartable mission (National Center for Charitable Statistics, n.d., "Number of Nonprofit Organizations"). "The mission of a nonprofit—the organization's sole reason for existing—is reason enough to devote time and resources to identifying events and circumstances that could make the realization of the mission impossible" (Herman, Head, Jackson, & Fogarty, 2004, p. 33).

At a minimum, the leadership of a nonprofit organization has the responsibilities to anticipate and manage the risks in four broad areas: the lives and safety of the individuals served by the organization, the staff and volunteers that provide the service, the tangible assets of the organization and the intangible assets of reputation, and the integrity of the nonprofit organization. While some of the risks inherent in these four categories are interrelated, we will address each area in turn.

Protecting Those We Serve

A nonprofit organization has a unique responsibility to ensure that neither its collective actions nor inactions causes harm to those who seek the goods or services it provides. The best protection against risk for those who receive services is a well-run nonprofit organization. Such an organization has a clear mission, well-defined goals and objectives, focused policies and procedures, and a competent staff that has been appropriately screened and is effectively trained.

The Role of Good Management

The biggest aspect of risk management in all instances is prevention—anticipating potential risks and developing procedures, policies, and systems to significantly reduce the likelihood that the anticipated risk occurs. In any business, and most especially in a nonprofit organization, the most powerful preventive measure is a well-run organization. *The Handbook of Human Services Management* (Patti, 2008) gives an excellent overview of the best practices approach to nonprofit management. A well-run organization has a clear mission that informs all the stakeholders why the organization exists and what segment or segments of the population are the intended targets for its goods and services. A well-run organization uses some form of formal planning to translate the mission into an annual or multiyear plan with measurable goals and objectives. In turn, the organization has some manner of policy and procedures that inform staff of the regular daily, weekly, and monthly activities that move the organization toward the goals and objectives that will realize the mission.

In a nonprofit organization that takes a proactive approach to managing risk, the annual planning process will include a consideration of how to minimize risk for those who receive the services of the organization. A best practices approach to this is to have a risk assessment committee that is integrated into the planning process. The functions of such a committee are discussed further below. The best planning process may eliminate some risks, but in many instances, the most realistic outcome is a reduction of the likelihood of risk.

Essential in a best practices approach to the ongoing management of risk is a well-designed management information system. This does not necessarily mean the technology that might facilitate the process but the information that is gathered, whether it is via pen and pencil reports or the most sophisticated digital technology. A nonprofit organization has to have a means of observing and measuring whether expected policies and procedures are followed. Then, the information gathered needs to be available to mid- and upper-level management in a timely manner. Perhaps one of the most important components of ongoing risk management is good knowledge about what is and what is not happening as the staff of a nonprofit organization interacts with the individuals and families it serves.

Additionally, a well-managed nonprofit organization needs to cultivate an organizational culture that eliminates the fear of reporting "unpleasant" information. A complicating factor in managing risk is when a nonprofit leader does not learn about a minor incident for which there is an obvious resolution only to have the situation grow to become a major problem. An example might be a caseworker who inadvertently sends a report detailing an individual treatment plan to the wrong person, one who is not the subject of the treatment plan. By doing so, the caseworker has violated laws and policies concerning confidentiality of client information. If this is discovered quickly and reported to supervisors, then remedial actions can be taken. This will allow that any damage to the individual client and any exposure of liability to the agency can be minimized. However, if the caseworker is inclined to hide the mistake, then the potential of the confidential report being shared with a greater number of people rises, and the potential liability and consequences for the agency increase as well.

Staff as an Area of Risk

The actions or inactions of staff members are a concern for any business and especially for any business that provides services to the general public. Nonprofits in particular are oftentimes serving individuals in need. This potential vulnerability raises the issue of risk management efforts concerning clients from a secondary concern in many for-profit businesses to a primary concern in a nonprofit organization. There are three primary areas involved in controlling the risks involved in staff interacting with clients: good hiring practices, including legal screening of applicants; a well-designed organization with adequate resources; and ongoing supervision and evaluation of staff.

Human Resources Management as a Function of Risk Management

A nonprofit manager's main concerns about staff are twofold: that unscrupulous staffers will act in a manner that is damaging to clients, or that those staff members who are unqualified, undertrained, not trained, or overwhelmed may inadvertently act in a manner that is damaging to clients. In either instance, this might involve physical or sexual abuse, intimidation, neglect (in situations of supervision or direct care), violations of confidentially, or theft. The linchpin of risk management as it concerns staff of the agency is good hiring practices. This involves using a best practices approach to human resources planning and implementation. The Pynes (2009) text on *Human Resources Management for Public and Nonprofit Organizations* gives an excellent detailed discussion of this area. In addition, nonprofit leaders should ensure that they have the advice and direction of a human resource professional and/or legal counsel in developing human resource policies.

Of primary concern in hiring staff is an adequate screening process. At a minimum, this involves a well-designed and thorough application form, which requires applicants to provide background information and references. An essential practice in hiring staff is to check the references supplied by the applicant, a step that is too often neglected by nonprofit organizations. While in most instances it is a perfunctory exercise, it is the rare instance when the references do not check out that could save the organization an immeasurable amount of grief.

In an ideal situation, the nonprofit organization will conduct a criminal background check of any staff member who will have contact with clients, and if possible, of all staffers hired by the agency. In many jurisdictions, there are laws or regulations that specify that any staff members that have contact with children or other vulnerable populations (e.g., individuals with developmental disabilities, individuals who are homeless) must have a criminal background check. Currently, there are numerous services available to conduct background checks so that even small nonprofit agencies can afford the process. Whatever screening process will be used should be clearly identified in the material advertising the position. Advertising the screening process serves two functions. It reduces complications of applicants objecting to the process, and it allows applicants who do not want to face this scrutiny to self-screen before ever applying for a position.

Also essential in hiring staff is the obligation of any employer to be fair and nondiscriminatory in their hiring practices. There are a variety of federal laws that prohibit discrimination in hiring and employment practices. An essential resource for information about these regulations is the Federal Equal Employment Opportunity Commission (see http://www.eeoc.gov). In addition, there are many states in which the state laws are more comprehensive than the federal laws concerning nondiscrimination in hiring and employment. A thorough discourse on all the mandates of maintaining a discrimination-free workplace is beyond the scope of this article. However, we can identify two essential characteristics of a discrimination-free workplace: good staff training and well-written and objective job descriptions. As we stress throughout this article, good staff training is a first line of defense in all aspects of risk management. Concerning fair labor practices, it is crucial that all employees who are involved in hiring, firing, employee evaluation, or discipline are trained in the appropriate and legal approaches to these responsibilities. Related to this is that when hiring, promoting, or evaluating staff, decisions are made in relation to objective criteria grounded in well-written job descriptions. The Hauge and Herman (2006) text on nonprofit employment practices is an excellent resource for further information about this area.

Almost as important as the screening process in hiring is the development of clear and focused job descriptions that identify the primary responsibilities of the job in question and the qualifications of the applicant. Screening staff helps us to limit the likelihood of hiring unscrupulous staff, but another significant concern is staff that is not prepared for the tasks of the job at hand. A best practices approach to human resources management is using a job analysis approach to determine the qualifications for a position. It is then incumbent on the agency to use due diligence to hire individuals with the appropriate qualifications. A corresponding practice is to have a thorough training process for staff to cover the knowledge, skills, abilities, and other characteristics (abbreviated as KSAO) that agencies might not be able to require applicants to have before being hired. For example, an agency serving individuals with a developmental disability may use an applied behavioral analysis (ABA) approach to its treatment planning. Professional staff may be expected to have knowledge and experience with ABA before being hired. However, it is unlikely that this could be a requirement of all entry level staff. In such an instance, the agency needs to have a comprehensive training program to prepare new, nonprofessional hires to support such a treatment approach.

Staff Training

General training and orientation for all employees is an indispensable component of managing the risks that might be related to staff behavior. Such an orientation program needs to identify the particular areas of vulnerability for the population of individuals the agency serves. Additionally, the training needs to specifically identify the types of behaviors that are and are not acceptable in interacting with the clients of the agency. It is also important to communicate this same information to those who receive services from the agency. This is usually done either via client orientation programs or via some type of a printed "client's rights and responsibilities" form. Either way, the key is that those who receive services from the agency are informed about what is and what is not expected in terms of staff behavior. And they are given clear instructions on how and to whom they should report any suspected or direct violations of the behavioral standards.

Risks From "Others Who Receive Services"

Whether already part of a vulnerable population (e.g., children, individuals with a disability) or simply because they are in need of goods or services provided by the nonprofit organization, those seeking services are in a vulnerable state. An area of risk for those seeking services is abuses they may face from other clients engaged with the organization. Plainly, there is a limit to how much an agency can be responsible for concerning the behavior of its clients. However, there are two issues that require the attention of any nonprofit manager: any intimidation or abuse that happens between clients while under the direct supervision of staff of the agency, and the concern that predatory individuals will be attracted to the agency specifically because it serves a vulnerable population.

When providing services, it is incumbent on a nonprofit agency to ensure that those who are inclined to take advantage of others do not have the opportunity to do so while under the care and supervision of the agency. Once again, our primary resource is a well-structured and managed organization. Best practices will be a combination of policy and procedure, organizational structure, and the physical environment of the agency. Clearly written and well-understood policies and procedures, which address staff responsibilities for the supervision and monitoring of the individuals and families receiving services from the agency, is vital.

In the annual and ongoing planning and design of service delivery, nonprofit managers need to consider how and when those who receive services need to wait. Large numbers of individuals or families in a common area awaiting services—whether it is for an initial intake, a scheduled appointment, or between points of service—is a site of potential risk, as well as just poor "customer service." A best practices approach to the management of service delivery is to minimize waiting times when possible. This both produces more satisfied "customers" and reduces the need for large waiting areas. However, it is the nature of life and of human service delivery that at times people will need to wait. Here, it will be important to consider the physical environment. The main considerations are that there is enough space and seating, there are not parts of the waiting area obstructed from view, and that staff has an easy and regular means of viewing the waiting area.

A related area of concern is that predatory individuals might be attracted to an agency specifically because it serves a vulnerable population. It is most obvious with agencies serving children, but it applies to other vulnerable populations as well. The nature of the risks will be different depending on the type of service agency. At a minimum, an agency needs to have some means of controlling access to any buildings used by the agency and a means of knowing who is in the building at all times. As with many issues concerning the protection of those the agencies serve, there is a tension between managing risk and avoiding an approach of Orwellian control that may interfere with the service delivery model. There is no simple answer to this, and reasonable balance must be found on a case-by-case basis.

A good agency should always know who is in its facilities, and likewise, they should know where many clients are going when they leave. Especially, when any child or any individual with some diminished capacity for judgment is returning to a caregiver, the staff needs to ensure that it knows who this individual is. A best practices approach is that information about who might pick up a client (or be waiting at home, etc.) is identified early in a service delivery model, often at the point of intake. Any such procedure needs to identify the necessary actions of staff when there is no identified individual to take over the care of the client. This may involve keeping the client at the agency or in the staff members' care while attempts are made to contact the primary caregiver and/or notify authorities. The key is that these scenarios are considered ahead of time and provisional steps are spelled out in the procedures.

Protecting Staff and Volunteers

All businesses have some level of responsibility to anticipate and minimize risks to their employees. There are legal and regulatory reasons: the U.S. Department of Labor's Occupational Safety and Health Administration would be one source of federal regulations governing employers (see http://www.osha.gov). And there are practical reasons: Sick or injured employees are a cost to a firm. A firm faces the direct costs of lost productivity and/or replacing missing staff. The firm also faces the future costs of higher health, disability, and accident insurance related to the number of claims in a given period.

Nonprofit organizations share all of these same concerns as well as at least one other unique concern. In some nonprofit organizations, staff members face real and unique risks. Examples of this would be individuals working in child or adult protective services, probationary officers, those working with individuals with mental health or behavioral disabilities, and at least some educational settings. Proactive leaders in nonprofit organizations anticipate the potential risks that staff may experience and incorporate preventative measures into the program planning process. Common considerations across all types of service delivery models are that an agency hires appropriate staff and gives them the necessary training and resources. We have already highlighted the importance of a best practices approach to human resources management. Identifying and hiring for the knowledge, skills, abilities, and other characteristics (KSAO) that are required for different positions are as important in protecting staff members as in protecting the individuals and families they serve.

For example, an agency may need to fill a case worker position working with adults with an Axis I mental health diagnosis. They may find a bright, energetic, enthusiastic, and generally competent person to fill the position. However, if this otherwise competent person has neither any formal training in psychology, social work, or human services nor any practical experience in working with adults with a mental health diagnosis, they are exposing the staff member and the client to significant risks. The ideal approach is to hire staff with the KSAOs identified for the position and match that with a structured training program. At a minimum, an agency needs to ensure that they provide the necessary training for staff, particularly if a hire brings commitment and enthusiasm but little applicable training.

A safety concern for staff members in a nonprofit organization is that they have adequate resources to do the job. One important resource is education and training, and that was discussed above. Other resources include such things as sufficient levels of staffing; necessary and sufficient tangible supplies; technology items, such as cell phones and computers; access to technology such as client and referral databases; reasonable physical space to provide services; and transportation or access to transportation. A challenge for nonprofit leaders is determining the necessary and sufficient resources out of a potential infinite wish list of resources.

The Physical Plant

An area of concern that relates to both staff and the individuals the agency serves is the safety of the physical environment of the agency. Materially, this is no different from the liability concerns related to the physical plant of any business. Any business or nonprofit organization wants to have good quality buildings and equipment that are kept in good repair. A best practices approach in any business is to have a risk management survey of the physical plant on some routine basis. In some instances, an annual survey is sufficient; in other cases, it is an ongoing weekly or monthly activity. Such a survey identifies potential risks and develops a plan to remediate the risks, which includes a time line and the responsible staff involved. Risks may be specific physical repairs, such as broken steps or cracked windows. The survey may also identify dangerous situations or procedures. A dangerous situation may be a perfectly intact floor that becomes dangerously slippery when wet. Remediation may involve rubber- backed carpet runners or a complete replacement of the floor. A dangerous practice may be a discovery that keys for agency vehicles are left in an unlocked cabinet accessible to individuals receiving services from the agency. Remediation may involve using a locked cabinet with some limit on who has access to the cabinet and a record of who signs out keys.

Of specific concern for nonprofits is that there is evidence that nonprofits underestimate the need to dedicate financial resources to maintenance and replacement of capital assets, such as buildings and equipment (see Anthony & Young, 2002; and Finkler, 2005). Responsible nonprofit leaders are rightly motivated to see that resources and assets are used to further the mission of the organization. As Anthony and Young argue, however, neglecting adequate funding for capital maintenance and replacement can save in the short-term but be more costly in the long-term. Two aspects of this are that insurance premium costs will be higher if an insurance underwriter finds the physical plan to be less than safe and premiums will rise if claims are made by staff or clients due to accidents.

Protecting Assets and Resources

Nonprofit leaders, whether they are executives or members of a board of directors, have a fiduciary responsibility to protect the assets of the organization from loss or theft. An asset is anything of sustaining value to an organization. All organizations have tangible assets that are reflected in their financial statements and intangible assets, which may not have direct monetary value, but which are nonetheless of great value to the organization. This section will address risks associated with the tangible assets, and the risks to intangible assets will be addressed in the following section.

It is a joint responsibility of the executives and board members of a nonprofit organization to ensure that the tangible assets of the organization are maintained in a secure manner and used in a fashion consistent with the mission of the organization. Tangible assets include all items of monetary value, which are reflected in the balance sheets of the organization. It is beyond the reach of this chapter to discuss every potential asset of a nonprofit organization. Interested readers are directed to *Financial Management for Public, Health, and Not for Profit Organizations* (Finkler, 2005) for a more detailed consideration.

A first responsibility of any nonprofit leader is to institute a process for identifying and managing risks. A first step in this process is knowledge of what assets the organization has. A nonprofit leader needs to be familiar with the traditional financial statements of an organizational entity: the balance sheet, statement of revenue and expenses, statement of changes in net assets, and statement of cash flows. In addition, an organization needs to conduct a regular inventory of its tangible assets. Such an inventory should include an indication of the value of the identified assets. For-profit and particularly manufacturing and retail for-profits do this routinely, driven by a need to understand their inventory related to production and sales. Nonprofits have not traditionally been as vigilant in this regard.

The two main concerns in protecting tangible assets are accidental damage or loss and theft. Assessing what types of loss the organization may experience should be part of the routine assessment of a risk management committee (discussed below). Instrumental in this is using the services of a professional insurance agent or broker who has specific experience in working with nonprofit organizations. A commercial insurance broker, in conjunction with an experienced insurance underwriter, will be able to guide the agency staff (and board members) in determining what types of loss they may face and can recommend remedial actions, which will help reduce the likelihood of loss. A chief component of this is a consideration of *loss history*. A loss history is the recognition of specific losses that the nonprofit has already experienced as well as the types of losses that similar nonprofit organizations have typically experienced.

An important observation is that the insurance broker's—and even more so the insurance underwriter's—main focus will be on taking any and all steps to minimize risk and limit the organization's exposure to any loss that could result in a claim against insurance. In negotiating the terms of insurance policies, nonprofit leaders need to balance the insurance professional's expertise with their own expertise in providing appropriate services. An insurance underwriter might suggest some changes to the organization that would lower risk but at the expense of good practice in delivering services. This is a gray area, which involves intelligent decision making on the part of nonprofit leaders. It is easy for nonprofit managers to resist any suggestions for a change on a claim that a particular approach is necessary for "practice reasons." Conversely, nonprofit leaders cannot give up important aspects of program planning to insurance concerns.

Theft

Theft or misappropriation of agency assets is of a special concern for nonprofit organizations. In addition to the monetary loss, the nonprofit experiences damage to its reputation due to the violation of the trust that the nonprofit will use its assets in service of its mission. It seems that hardly a month goes by without a story about the discovery of some trusted and longtime employee (or volunteer) of a nonprofit having embezzled money—often over a period of many years. While recently there has been great improvement in nonprofit management practices in this regard, this has traditionally been a significant weakness for nonprofit organizations. All nonprofit leaders need to institute a good system of internal financial controls within an organization. The Finkler (2005) text on financial management mentioned above presents a complete consideration of what is necessary. In terms of minimizing the risks of theft and misappropriation, the three key concepts are the segregation of responsibilities, checks and balances, and transparency. Basically, it is important to ensure that for all transactions of receiving, recording, or disbursing assets more than one person is involved. Ideally, there is some rotation of these staff responsibilities so that there is not a situation where one individual has been the sole person "keeping the books" for any great length of time. There should be some redundancy of responsibilities, also rotated, so that multiple eyes review the documentation of the receipt and disbursement of assets. In all instances, members of the finance committee of the board of directors should play some role in reviewing documentation on an ongoing basis. This means actually meeting with the staff and looking at original documents, not just reports given to the board. The advice of an insurance professional and/or an accountant is well advised in developing a good system of internal controls.

Protecting the Intangible Assets

While we have placed this toward the end of this discussion, this is likely the most important area for the nonprofit leader to consider in his or her assessment of risk management. Intangible assets are those items that do not have an explicit monetary value but nonetheless are of vital importance to the organization. Common intangible assets to all nonprofits are its mission, its reputation, and the training and experience of its staff (human capital). Other intangible assets that many nonprofits may have are such things as cooperative agreements with other organizations, privileged status in receiving government or foundation grants, historical standing in its unique area of service delivery, and historical status in its specific geographic community.

The anchors in this regard for any nonprofit organization are the fraternal twins of mission and reputation.

> A nonprofit's mission is distinct from its reputation. The mission is the helm that guides the nonprofit to its overarching goal. . . . Its *reputation* is the community's collection of beliefs, perceptions, and experiences that either support or refute the values, principles, and worth of the organization in the eyes of the community. (Herman et al., 2004, p. 133)

Nevertheless, if a nonprofit violates, or is thought to have violated, its mission, it will do irreparable damage to its reputation. Likewise, anything which causes damage to a nonprofit's reputation severely hinders its ability to fulfill its mission.

Here, readers come full circle in the discussion of risk management. The central approach to managing risk to the intangible assets of an organization is a well-run organization. A focused and well-articulated mission, a planning process that keeps the mission central to decision making, and an appropriate and aptly trained workforce go a long way toward limiting risks to both mission and reputation. The other characteristic of a nonprofit leader crucial to protecting the value of the organization's mission and reputation is vigilance. Everyday, in the life of a nonprofit organization, there is the potential that staff, volunteers, or board members could make decisions or take actions that damage the mission or reputation of the agency. The nonprofit leader needs to be constantly on the lookout for programmatic and financial decisions that might be leading it astray from its mission. In addition, the nonprofit leader, along with a well-trained staff, needs to be sensitive to actions and situations that might lead to a damaged reputation.

The large events that clearly imperil the organization's reputation are fairly easy to recognize. At least as vital is to discern the minor incidents that *could* lead to a damaged reputation. Minor incidents that are identified and responded to in an appropriate manner can forestall more significant damage. Conversely, minor incidents that are not perceived as important can grow to be unforgiving reputation crises. A well-run organization with a dedication to good customer service is a powerful first step in minimizing risks to the reputation of the organization.

Herman et al. (2004) in their book, *Managing Risk in Nonprofit Organizations*, note that proactive nonprofit organizations need to have a crisis management plan in place *before* a crisis occurs. They recommend that any such plan contain at least three components: a designated spokesperson, generic prepared statements, and written procedures for responding to crises. At least as important in having prepared a crisis management plan is to ensure that staff is aware that such a plan exists and that they have received training in implementing the plan (p. 143). "The manner in which an organization responds to crisis can either instill public confidence or diminish current confidence levels" (Herman et al., p. 143).

A Risk Assessment Committee

It is a joint responsibility of a nonprofit's board of directors and its executives to consider the level of risk management needed by the organization. A best practices approach to this is to have a risk assessment committee as a function of the board. Depending on the size of the organization, this might be a function of the board's finance committee, or it might be a separate standing committee. In either instance, the committee should always be comprised of members of the board and executive staff of the organization. Whether or not other staff, volunteers, or clients serve on the committee, the committee needs a means of gathering their input in the process.

When a risk management committee is initially formed, its first responsibility is to conduct a comprehensive audit of the needs for risk management in the organization. Such an initial overview is best conducted with the guidance of professionals with some experience in conducting such an audit in similar nonprofit organizations. At a minimum, the products of a risk assessment audit will be a written risk management plan and recommendations for the board of directors on policies concerning risk financing and insurance purchasing. A risk management plan "is a document that describes [the organization's] overall philosophy about risk management and discusses specific exposures and related strategies. Such a risk management plan provides a central resource to unify everyone's efforts" (Herman, 2005, p. 27). The risk management plan should become part of the ongoing planning process of the organization and ultimately be reflected in routine policies and procedures. After an initial written risk assessment plan is incorporated, the risk assessment committee will review the plan on at least an annual basis as well as respond to newly identified issues as they arise.

Financing Risk

The possibilities that are available for financing risk are varied and at times quite complicated. Ultimately, the executives and board members of a nonprofit organization need to use the advice of commercial insurance brokers who specialize in nonprofit organizations. The Herman et al. (2004) text gives an excellent overview of the issues involved. The two basic considerations in financing risk are the retention of risk or the transfer of risk. Retention basically means that the nonprofit organization will fund the cost of risk from its own resources and assets. This can be as formal as establishing a captive (in-house) insurance carrier to as informal as a "we'll deal with it as it arises" approach. Clearly, the latter is not recommended as a best practices approach. Most nonprofits expect to fund some losses from their operating budget or savings. The best practices approach is that a risk management plan addresses what type of losses and to what extent losses can be funded in such a manner.

Transferring the financing of risk management expenses involves the cost of loss being funded from outside the organization. The two most common approaches for this are the purchasing of insurance contracts or entering into indemnification contracts. An insurance contract involves an insurance provider agreeing to pay for identified losses in exchange for ongoing premium payments. The organization takes the certainty of the regular cost of an insurance premium in order to avoid the uncertainty of a specific incident of loss. Most organizations will ultimately decide on some mixture of retention and transfer. The most common example of this is that many insurance instruments will designate a "deductible." A deductible is nothing more than a certain amount of loss that the organization "retains" before the insurance policy will take effect.

Indemnification is the process of transferring the costs of risk to another organization but not as an insurance contract. There are numerous examples of indemnity agreements. One example is when an organization contracts with a company to renovate its buildings. The nonprofit may insist on an indemnification agreement with the construction company stipulating that the construction company will pay for any losses due to the construction. An example where the nonprofit provides for the indemnification is when it promises to indemnify volunteer board members to attract the best possible applicants for the board of directors. In this instance, the agency promises to pay for the legal defense of individual board members if they are sued relative to their normal actions and decisions as a member of the board.

As noted above, the issues involved in choosing how to finance risk are complex and require professional guidance.

Our major theme is to identify that it is an essential function of nonprofit leaders to initiate such activities.

Future Directions

While future directions in risk management for nonprofit organizations can be as varied as the many arenas of service delivery they engage in, we can identify two prominent areas of development: technology and environmental issues. Nonprofits, like all organizations, are finding ever-increasing ways of incorporating technology into their business practices and into their means of service delivery. Obviously, as more and more information related to those who receive services is maintained and accessed via technological devices, it raises ever-new issues in how to ensure that the confidentiality of sensitive information is maintained. Of particular note are concerns related to the increasing "portability" of information. Laptops, personal digital assistants (PDAs), wireless networks, and virtual storage of information are all tools that are moving toward the *office less* office. If anything, many nonprofit organizations are leaders in needing to have staff who are "out in the field" most, if not all, the time. These tools are assisting many organizations in developing low cost and flexible service delivery models, which are exemplary in their field. Nonetheless, these "open networks" not only raise all sorts of issues in how to make necessary information available to staff and clients but also maintain it in a secure manner.

Society is growing evermore aware of environmental hazards and their impacts on our health and well-being in everyday life. There is an infinite range of environmental issues that relate to nonprofit management. Of particular concern to nonprofit leaders is the potential that environmental pollutants might be present in the facilities the organization operates. There is a growing concern that regular cleaning products and poorly maintained heating, ventilating, and air conditioning (HVAC) systems as well as the by-products of numerous methods of construction introduce pollutants in the environment (Meyer, Mannino, Homa, Naeher, & Redd, 1999).

There is also significant suspicion that many of the vulnerable populations that nonprofit organizations service may be even more sensitive to these pollutants than the population at large. It will become increasingly important for nonprofit organizations to have "green committees" looking at all aspects of environmental concerns but with a special consideration of limiting exposures to any toxins in the environment.

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USING DATA TO MAKE DECISIONS

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The plural of anecdote is data.

Raymond Wolfinger (Polsby, 1984)

One often sees the inverse of the above quotation—the plural of anecdote is *not* data—invoked as a caution to those seeking to use their observations of the world around them to make decisions. The apparent theory behind this inversion of Wolfinger's statement is that what we observe in our daily lives, the anecdotal, does not tell us nearly as much, nor as accurately, as do data. The fact that most readers who are in some way familiar with this quotation likely recognize the "not data" version and not Wolfinger's original is strong testimony for the value most people place on data.

This section will give an overview of data-driven decision making in nonprofit organizations. It will address some key terms and concepts nonprofit leaders and staff should be familiar with when thinking about using data to make decisions for their organizations. The section addresses why this is an important issue for nonprofits to address. Next, the section presents some common barriers to implementing an effective data-driven, decision-making scheme. Following that will be some important issues for nonprofits to remember when practicing data-driven decision making. Finally, some examples are presented of ways in which nonprofit organizations have used data to enhance their decision making.

Why Data-Driven Decision Making Is Important for Nonprofits

In these times, as in all times, nonprofits don't have nearly the resources to address the needs they see in their respective communities. Addressing those needs is a challenge for a nonprofit organization's fundraising, budgeting, staffing, and programming. Cutting across all these aspects of a nonprofit organization is the question of how to decide where to deploy resources in pursuit of the organization's mission. Information is at the heart of all of these decisions. Explicitly deciding which information to consider and how to collect this information is the heart of data-driven decision making. Data-driven decision making can help the three main constituencies of nearly all nonprofits: funders, staff, and clients.

Funders of nonprofits are increasingly looking for information about what their money achieves. As funders, whether public or private, see their money dry up, they want to ensure the money they do have makes a difference. Showing funders that an organization is serious about collecting data and using them to make programming decisions is the key. Presenting success data to funders helps them make decisions on where to invest money. Showing funders that a nonprofit collects and uses data to improve its operations and programs is rapidly becoming an essential part of any funding request.

Nonprofit leaders and staff members need data to drive their decisions because staff time equals money. A nonprofit organization needs to deploy its staff efficiently. One of the most inefficient ways to deploy staff is to have them spending time on programs that do not improve the lives of the nonprofit's clients or community. Data-driven decision making can help nonprofits avoid these inefficiencies.

Clients of nonprofit organizations often have choices on where they go to get services. Using data, nonprofits can show prospective clients that their services are effective. Collecting data also allows clients to have their voices heard in the operation of the programs they use.

Definitions and Related Concepts

What Counts as Data?

As seen above, there is some dispute about whether data are indeed the plural of anecdote. Nonprofit leaders and staff can draw on many anecdotes. They have a wealth of knowledge and experience regarding their communities about what their organizations do, and about how they are (or are not) succeeding. Data-driven decision making seeks a systematic and reliable way to measure and track these successes. Data must be consistently collected and be collected in a time period that allows users to make decisions based on them.

Hiller and Self (2004) offer that "data are records of observations, facts, or information collected for reference or analysis." In their view, data can "take a number of forms, such as transactions, observations, surveys, or interviews. All of these provide data, that is, observations, both quantitative and qualitative, from which inferences may be drawn by means of analysis" (p. 129).

What Is Data-Driven Decision Making?

Keeping those points about data in mind, for our purposes, we will define data-driven decision making in the nonprofit context as the use of systematically collected and analyzed information to inform the allocation of resources (people, time, money) to advance the mission of the organization.

Evaluation

Data-driven decision making is often linked to evaluation—the "process of determining merit, worth, or significance" (Scriven, 2007, p. 1). The important link between evaluation and data-driven decision making is that data must be combined with values, interests, and context. Data, by themselves, do not make decisions. It is the interplay of the data with an organization's values and context that is important.

Logic Model

Logic models are representations of the way a nonprofit organization or program works. The W. K. Kellogg Foundation's guide for logic models defines them as "a picture of how your organization does its work—the theory and assumptions underlying the program. A program logic model links outcomes (both short- and long-term) with program activities/processes and the theoretical assumptions/principles of the program" (2004, p. III).

Common Problems

Data Don't Exist

When data don't exist, it is important to ask how important it is to invest what is needed to obtain these data. Is collecting the data worth the organization's energy, cost, and time? When looking at this question, a nonprofit needs to concentrate on data that will actually *drive* decisions. Some things are nice to know, but knowing them would not change decisions the nonprofit faces. It is best to start at the decision-making end of the continuum and work backward to the data. Ask questions such as, what information, if the leaders had known it, would have led them to make a different decision on planning, programming, or personnel. If a nonprofit still would have invested in a program even knowing certain information, then it is probably not worth it to collect those data.

Data Are in a Difficult to Use Format

This situation usually occurs when data are collected on paper and are stored in different places. Client case files may have lots of data that could help a nonprofit but bringing those data together would entail transferring them from many separate pieces of paper into a central, electronic location.

Others Won't Share Data

Nonprofits should be clear about what data are available to them before deciding to incorporate information into their decision-making system. Many data exist that are not easy to access. School systems, health care organizations, and many government agencies are often reluctant to share data that could help nonprofits make better decisions. This reluctance could be due to legitimate privacy concerns or less legitimate turf protection concerns. Either way, lack of access to data is a frequent problem for nonprofits.

Collecting Data That Are Easy to Measure

A common problem nonprofits face is that decisions about what to measure—about what data to collect—are driven by what is easiest to measure. Typically, process measures or outputs (products produced, meetings held, people trained, people enrolled) are the things that are easiest to count. While this information can be important to know, what is most important is how people and communities being served by the nonprofit are improving. Measures of these outcomes are often much more difficult to develop and collect.

Nonprofits naturally need baseline information—how many people they serve, whom they serve, and the resources they have available in people, time, and facilities. This is common to any type of planning and budgeting. The *data* in data-driven decision making, however, concern information about what is working, what needs are being met, and how outcomes can be better achieved and at lower cost.

Important Aspects

Value of Obtaining Data From Multiple Sources

It is always valuable to get data from more than one source. This is often referred to as *triangulation*. As an example, in the county food security effort outlined below, data were collected from stores to get an idea of what foods were available in certain sections of the county and at what price. People were also asked about the availability and price of food at local stores to determine if their views meshed with the data collected from stores. It turns out that people had concerns about how difficult it could be to get to these stores. These and other concerns greatly affected the accessibility and availability of food.

Don't Need to Be Data Experts

When thinking about data analysis and statistics, nonprofit leaders and staff may begin to get overwhelmed. Most nonprofit leaders know their field, know their community, and know about management of staff and fundraising, but they are not as confident in their data analysis skills. Nonprofit leaders need not be experts in data analysis or statistics. They do need to be able to ask good questions, to be able to accept the limitations of using data to make decisions, and to be able to tap into people around them whom they can consult on these issues.

Organizational Ethic of Continuous Improvement

The most important trait of an organization that uses data to drive decision making is the organizational ethic to continuously improve its work. This can be a difficult mind-set to adopt, especially for an organization that knows it is doing good work and certainly has good intentions.

Example: Food Pantries

Context: Baseline Data

Nearly all data collected by nonprofit organizations can be seen, in some way, to affect decision making. Many times, data, especially when these are data that are collected for the first time, are gathered to get a foundational idea of where things stand for the organization at a particular moment in time. This type of datum is often referred to as *baseline data*. It can be important to collect this type of data set to frame all subsequent data collected that more directly drives decision making for the organization.

An example of this type of baseline data collection involved assessing the food security for citizens in a medium-sized county in the United States. Data were collected to determine the accessibility, availability, and affordability of food within the county. Both quantitative and qualitative data were collected. Data with a geographic aspect were also collected. Therefore, decision makers at nonprofits were able to see how certain needs and existing resources matched up geographically. This is of great use when planning expansion or continuation of existing program sites.

An example of qualitative data collected in this instance that could immediately drive decision making were from a survey question about the various barriers people face when seeking to access food. Fuel prices were particularly high during the period these data were collected. Many people identified the high cost of fuel as a problem for accessing food, especially in rural areas of the county. Therefore, people living in rural areas wanted the food pantries they used to allow for a larger supply of food to be taken during each visit—lessening the number of trips (and fuel costs for the same amount of food secured).

Example: Raising Funds for International Aid

Qualitative Data

Data need not be strictly quantitative. Much value can be derived from qualitative data about the way certain aspects of programs and organizations are conducted. Qualitative data are generally data that are not quantified or assigned a number. This type of datum is often collected through interviews with people. Interview questions yielding qualitative data are open ended in contrast with questions where respondents are given choices for their answers. Open-ended questions have the advantage of allowing for the possibility that the questioner cannot anticipate all the possible responses to each question. Also, often responses to complex questions are not amenable to specific answer choices. In these instances, qualitative data are the only real option for discovering how things actually work. A main drawback for qualitative data is that these cannot be reliably compared with data from other contexts (other people, other projects, other situations). However, if the focus of your decision making is your specific nonprofit program or agency, then qualitative data can be very helpful for your purposes.

Context: Building on Success

A nonprofit agency that raises funds for food security programs (Chianca & Risley, 2005) in the developing world offers a good example of the use of qualitative data to make decisions for a nonprofit. This agency raises funds through volunteer-led community growing projects. Volunteers donate land, materials, and labor to raise, harvest, and sell a crop. The funds secured are then donated to a project in the developing world that helps people secure or maintain food security. These projects include irrigation systems, greenhouses, and other agricultural infrastructure.

The nonprofit coordinating these growing projects wanted to find out how to help all of its growing projects become more successful. The staff members collected data on all the growing projects—the number of volunteers involved, the amount of land dedicated to raising the crops, the type of crops raised, the amount of money raised—using a survey. They then identified several of the best performing projects and conducted more detailed interviews with lead volunteers for these projects. The interviews concentrated on obtaining information from these volunteers on what characteristics made their projects successful. By examining the common success indicators from these interviews, the staff from the nonprofit agency was able to concentrate its support and training for other projects on the things that were most likely to produce more successful projects—and raise more money.

Example: Tax Preparation Assistance

Context: Managing Growth

A nonprofit organization that provides free tax preparation services for low-income individuals and families was experiencing growth in its financial support and was looking to expand the sites where it offered tax preparation counseling. To decide where to place the sites, it used publicly available datum sources to determine the areas of the county it served where lower income people lived, where suitable partner organizations that could house the tax preparation counselors were located, and which potential partners were located near public transportation.

This is an example of using data that are already being collected (usually by a government agency) and are freely available to the public to use. Looking at these data using geographic information system (GIS) mapping allowed the organization to visually examine possible host sites, public transit options, and areas where the target clients are concentrated.

This is a somewhat basic use of data-driven decision making: using data to make planning and programming decisions and using existing data, not data collected by the nonprofit organization itself.

An example of a slightly more involved use of data to drive decisions comes from the same organization (M. Gagen, personal communication, January 12, 2009). In an attempt to learn more about how the organization can expand its number of clients, the nonprofit decided to collect some survey information from them when they came in to have their tax forms completed. The organization wanted to know whom they were reaching. Specifically, where had their clients formerly had their taxes prepared—did they file their own taxes, did they use a commercial tax service, and if so, what did this service cost? By collecting these data, the organization was able to show (to both funders and prospective clients) how much money it was saving the average tax filer it served.

Summary

Data are all around us. They are routinely collected by nonprofit organizations. Putting the data to use in decision making can be tricky. When seeking to implement data-driven decision making, it is important to remember that the actual decisions you are looking to influence should be the main driver of the specific data you collect and use. It is tempting to collect what is easy or to base decisions on data that were already collected by someone else—even if those data do not closely match the decisions you are trying to influence.

This section provided an overview of data-driven decision making in nonprofit organizations. It identified key terms and concepts nonprofit leaders and staff should be familiar with when thinking about using data to make decisions for their organizations; addressed why this is an important issue for nonprofits; presented common barriers to implementing an effective data-driven, decision-making scheme; and presented some examples of ways in which nonprofit organizations have used data to enhance their decision making.

In the next few years, the ubiquity of publicly available data on the Internet will only increase. This will allow nonprofits access to community-level data that will help them discover community needs. Also, the availability of open source software to more easily analyze data should increase. This may be especially useful if free geographic information systems software becomes widely available online.

Part of data-driven decision making is deciding what data to collect. Collecting data can be time consuming, expensive, and sometimes intrusive for a nonprofit's clients. Nonprofits should take care not to collect more data than are necessary. When deciding how many data are necessary, it is important to focus on what are the mission and core goals of the organization.

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77

Challenges in Delivering Services Using New Technologies

Organizational Capacity and IT Support

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Private industry has long recognized information technology's power to reduce costs. By effectively using information technology (IT), companies have increased efficiencies in their management and operations. These efficiencies often lead to an increase in the fiscal bottom line, which is a benefit for the shareholders of the corporation. The technology tools used most often encompass computer hardware, software, and networks, including the Internet.

Technology has a positive impact on the economy and productivity of organizations in the private sector. A report by McKinsey Global Institute reveals that although it is complex and varies across industries, information technology enables and contributes to economic growth (2002). Technology gains have allowed private industries to keep a competitive edge over their rivals, develop new products and services, realize substantial increases in output and productivity, and ultimately provide fiscal savings.

Nonprofit enterprises are increasingly incorporating information technology into their operations. The impetus often comes from other nonprofits, individual donors, foundations, government requirements, and performance and accountability pressures. Those nonprofits seeking to grow and expand have taken a cue from private industry with the goal of achieving comparable efficiency gains and growth in support of their missions.

While there is interest from the nonprofit sector to incorporate information technology into operations, nonprofits struggle with information technology implementation, whether it is for internal operational purposes or for service delivery. The struggles that nonprofits face center on the capacity of the organization or the ability or lack of ability of the organization to integrate technology into their organizations as well as the lack of support from the IT sector.

Organizational Capacity

The capacity of an organization is critical to the capability of nonprofit organizations to implement technology. When looking at organizational capacity, there are three main investments that are the cornerstone of success in information technology implementations in the private sector: infrastructure, human capital, and planning. Throwing more money or resources at an information technology project will not necessarily increase its success if there are no plans. Providing more training for staff will not help an information technology project if there are no infrastructure investments. These three investments are central with each playing an equal role.

The investments translate to both the for-profit and nonprofit sector as being critical for information technology implementation success. The challenge for nonprofits is that these three investments are often in direct conflict with the organization's mission. These next sections delve deeper into each of these investments and uncover the barriers of each for nonprofit organizations.

Infrastructure Investments

Infrastructure investments are meant to provide specific resources for the support of internal functions of an organization. These investments related to information technology may be computer hardware, software, or networking equipment, to name a few. These are the building blocks that form the foundation for the basic information technology requirements of an organization.

For nonprofit organizations, infrastructure investments are lacking for three main reasons: First, organizations are not providing reasonable information technology budgets to support existing and future technology; second, external sources often provide restricted funds, which limit the organizations' ability to fund information technology; and finally, organizations find it difficult to acquire additional funding to support and update their original investments.

First, nonprofit organizations often view investment in infrastructure as shifting focus away from their missions. Nonprofits face a tricky tradeoff between spending on information technology and direct service to clients, making information technology spending a difficult decision. For example, a nonprofit whose mission is to feed the hungry would rather spend money to feed more individuals than on a new computer for which effective implementation could ultimately facilitate even more food. These organizations often have very low or nonexistent information technology budgets and often, when looking to reduce expenses, cut their technology budgets. As noted by a Chief Operating Officer (COO) of a women's organization in conversation with the author about the organization's technology issues, "If we sat down with just the operating budget it could be problematic because sometimes on our really tightest years that is where the CEOs have wanted me to cut." She continued, "Sure you want to cut technology before you cut people, but it hurts just as bad sometimes." This lack of an information technology budget or willingness to cut the budget exemplifies the fact that nonprofits lack interest or sufficient knowledge in allocating dollars for information technology infrastructure investment.

Second, external sources, such as foundations and governmental agencies, demonstrate indifference in building the organizational information technology infrastructure by restricting the amount of money a nonprofit can allocate on its grant application to support administrative capacity or by refusing to allow any capacity support whatsoever. There is little funding to sustain the internal infrastructure of the organization on which programs are built, whereas funding is available and continues to support the programs. These programs rely on a solid infrastructure; thus, a dilemma of supporting the program versus supporting the internal infrastructure continues to manifest.

Finally, organizations struggle to find additional dollars to acquire or support their original investments. This can be through an internal information technology budget, which was previously discussed, which is often lacking, or through external sources, such as foundations or governmental agencies. There are some foundations that will provide funding for technology, but finding them is a challenge, and often, they fund new programs and not existing systems.

Human Capital Investments

Human capital is the human assets of an organization, the skilled workers that keep the organization humming along smoothly. These skilled workers bring a wealth of knowledge and expertise to the organization and contribute to the organization's growth. The skills can be acquired on the job, through life experiences, or through formal education.

The challenges related to human capital fall into two main categories, internal and external. Internal challenges relate often to those individuals who work directly with the organization with a focus on the mission such as social workers, executive director, and development director, to name a few. The external individuals are clients, volunteers, board members, and consultants, those that are external to the organization but have a direct impact on the mission of the organization.

The internal challenges relate to the nonprofit worker. Regardless of how individuals acquire their skills, the majority of nonprofit workers lack technology skills. This requires the organization to invest in its human capital to educate its workforce, which includes volunteers and board members.

The external challenges relate to the client and consultant's skill level. The investments here are for external individuals and may be challenging for the nonprofit to directly influence, but there are ways the nonprofit can have an impact indirectly.

Internal Challenges

Investment in internal human capital remains a challenge. Nonprofits face three key barriers related to the human capital investment. The first two barriers are related to staff members of the organization. First, they are not provided enough time to work with technology, and second, they are often unwilling to use technology. Finally, unrelated to general staff, often information technology professionals are uninterested in working in the nonprofit sector.

Barrier one: Staff time. There are three main issue areas related to staff time: staff training, project management, and information management. Typically, nonprofit organizations do not provide the staff time needed for training, project management, and information management. This section will delve deeper into each of these areas.

First, regarding staff training, most organizations provide little or no time for staff to receive training, and yet most feel that the lack of staff training and expertise are key barriers to successful information technology implementation. The ability to experience and learn through failure is limited and often education is provided only as the staff members work on specific projects. They are also not provided enough formal education or training on information technology thus leaving gaps in their skill set.

Second, regarding project management, many organizations provide little if any time for management or development and implementation of key projects for an organization. Typically, there is no one assigned to lead a project, and if there is someone assigned, they are not provided enough time to truly manage the project. Often, these projects are doomed to failure as no one is in charge to see the project through to effective and successful completion.

Finally, regarding information management, staff is inundated with massive amounts of information, and staffers are challenged to filter relevant information. They often spend many hours cleaning up their e-mail boxes or their files, which takes away from the time they could be spending on the mission of the organization. This frustrates the staff, as well as the management, of the organization. This in turn causes individuals to mistakenly blame the technology for the problems of the organization when in reality it is the massive amounts of information that is causing the problem.

As it is often said in a nonprofit organization, there is never enough time in the day to accomplish all the tasks required. This is truly the case with information technology. Staff never has enough time to receive the training needed, to manage key projects, or to manage the deluge of information that is received.

Barrier two: Staff use of technology. The second internal barrier to the human capital investment relates back to the staff of the organization and its unwillingness to use technology. Most nonprofit organizations have a workforce of educated social workers or teachers. They tend to be very social and focused on connecting with people. Thus, they often are unwilling to use technology because it depersonalizes interactions with clients.

Employees of nonprofit organizations are passionate about the mission but have little technical knowledge or training. Some have even said that they would like to avoid using computers and technology as a whole and prefer working with people, not machines. This disdain of technology can cause problems when an organization is attempting to streamline processes through the use of technology. These individuals may put up barriers and road blocks.

Barrier three: Information technology staffing. Finally, the third internal barrier related to the human capital investment focuses on the nonprofit computer manager and the lack of individuals from the technology professions willing to work in the nonprofit sector.

Those nonprofits that can afford nonprofit computer managers provide little if any formal training. These individuals desire to stay on the cutting edge of technology to remain a desired commodity in their profession (Saidel & Cour, 2003), but nonprofits provide little if any formal training to provide these individuals that opportunity.

Second, for similar reasons, individuals in the technology field do not wish to work in the nonprofit sector. First, the pay is not as high as in the private sector and second, keeping up with technology is more challenging as the nonprofit, typically, does not stay on the cutting edge of technology.

External Challenges

Specifically, internal human capital challenges revolve around the following: having dedicated information technology staff, staff expertise with information technology, and available staff time. Just as there are internal issues, there are some external human capital issues related to the client, volunteers, and external consultants.

Barrier one: Client digital divide. One key external human capital challenge relates to the client's digital divide. There are two main areas where the divide is most pronounced: access to technology and technology education.

Nonprofits often deal with clients who lack access to the technology needed to communicate either with the organization or with individuals at the organization making the use of technology to serve constituents a tough sell for any nonprofit. This is often something that causes nonprofits to put aside the use of technology to serve their client bases.

Another key issue is the lack of education of their client bases. Often, clients seeking assistance from a nonprofit lack the education needed to use the available technology. Some nonprofits work to educate their clients on the use of technology, but if there are physiological needs and safety issues that have not been met as defined by Maslow's hierarchy of needs (www.edpsycinteractive.org/topics/regsys/maslow.html), the client may not be motivated to learn about technology. Basic needs, such as the need for safety and security, will get in the way of client learning.

Two main types of organizations, those that serve the elderly and those serving the mentally or physically handicapped, face particular hurdles. Often, organizations that serve the elderly realize that these individuals have not been introduced to technology and may struggle to help their clients as they now have to teach them about technology. Second, those that work with mentally or physically handicapped also face a potential barrier with lack of accessibility and having to find resources and systems that will work with their client base. These barriers can seem insurmountable, but some can be addressed.

Barrier two: Consultants. Another key external resource related to human capital is consultants. Nonprofits often rely on consultants or contractors to provide support and advice for their information technology usage. There are three main issues related to consultants: First, many nonprofits see consultants as unreliable; second, some nonprofits underutilize external consultants; and finally, often consultants lack knowledge of cultural and gender issues related to nonprofits.

First, in regard to consultants as unreliable, some nonprofits find that consultants do not provide reliable expertise and that it is difficult to find consultants that are professional and affordable. Although consultants can play an important role in the successful implementation of information technology, findings show that the use of consultants varies. Some nonprofits will use contractors to provide tactical implementation of information technology projects, but these contractors frequently do not receive adequate guidance or support from the organizational staff. On the other hand, some nonprofit organizations will use contractors as strategic partners that work in collaboration with the internal information technology staff to implement a project. The challenge comes when the reliance is on the consultant to implement and learn about the organization without the guidance of anyone in the organization and thus leaving the consultant to determine the organization's goals.

Second, in regard to the underutilization of consultants, some nonprofits do not engage consultants because they believe it is too expensive. Often, nonprofits attempt to undertake major initiatives without any guidance or support from an experienced consultant, which could, in the long run, save the nonprofits' resources. But with a short-term focus, nonprofits tend to attempt major projects without experienced help, which often leads to technology projects being ineffectively implemented.

Finally, consultants often lack specific nonprofit knowledge, including that of the specific issues related to culture and gender in an organization. The challenge in finding the right consultant is that they are often focused on the private or public sector and lack knowledge of the issues facing the nonprofit sector.

Barrier three: Volunteers. Challenges related to volunteers are twofold: Volunteers being used within the organization to provide technology support are transient, and volunteers often lack skills to make use of the technology provided by the nonprofit organization.

First, transient support for information technology support may be a hindrance to the nonprofit organization that relies on technology to run its organization. This can cause frustration and problems with staff, and the issue can snowball into major problems. Often, these volunteers lack supervision from anyone in the organization; thus, as with consultants, they will often develop systems that they feel need to be in place rather than those that meet the critical needs of the organization. Often, volunteers work a limited number of hours as they have full-time jobs, which can prevent them from volunteering.

Second, volunteers can lack skills to use the technology provided by the nonprofit organization. Volunteers often cite the mismatch of their skills with an assignment at an organization. The frustration that a volunteer can feel when he or she is not properly trained or does not understand the needs or requirements of an organization can be a detriment to the organization.

Planning Investments

Even with dollars dedicated to developing information technology infrastructure or providing staff training, organizations often lack a strategic plan on how to effectively spend them. Very few nonprofit organizations have long-term technology plans in place that could help guide the organization in making wise and educated decisions. Some of the key reasons that nonprofits often invest in technology revolve around competition between nonprofits or external pressures. These two key factors often lead to information technology purchases that do not fit strategic needs of the organization. When regarding competition, some nonprofits extend their scope and enhance their services using information technology; other nonprofits may feel pressured to follow their lead, often without the organizations' leaders understanding the ramifications of such an implementation.

Second, external pressures may be another factor that can lead nonprofits to react and enhance their services using information technology through opportunities for new funding or requirements imposed, such as accountability and performance measurements. These external pressures may force the nonprofit to implement technology that does not provide the best solution.

This illustrates the importance of strategic planning—ensuring the use of the right technology for the right purpose. This is evidenced by a story about an African village and a bell. The village invited a delegation of Western technology experts to help the villagers build communication technology. The delegation spoke to the village leader about the plan for a sophisticated information technology station. The village leader listened respectfully, and after hearing all the wonders of modern information technology, he requested a simple bell. Rung once, it is time to gather in the village; rung twice, the well has run dry; and so on. The delegation was shocked. They had not asked first but assumed what was needed. They thought modern technology held all the answers, but they failed to ask the right questions.

Planning provides the organization an opportunity to reflect and ask the right questions, which allows for the alignment of the information technology strategic plan with the overall strategic plan. Without thoughtful deliberation, the nonprofits could implement technology that will not be used effectively or help the organization to be more efficient. Investment in planning is significant to information technology project success, both in the overall information technology planning process and the planning of specific information technology projects. Nonprofit organizations struggle to find balance between tactical and strategic work and often information technology projects are not well planned or managed.

Nonprofit organizations often rely on their information technology staff or contractors to make key planning decisions regarding information technology. Without an experienced decision maker helping to guide the strategic decision-making process, the organization relies on the decisions of information technology staff or contractors who, if not given clear direction, will fall back on their knowledge. Thus, the technology often drives the organization instead of the organization driving the technology.

Most organizations do not tie their information technology strategic plans to their organization's strategic plan. The main dilemma is that organizations lack anyone with technology skills who also has intimate knowledge of the organization. The individual in charge is often a human services person who understands the opportunities offered by technology but struggles with its strategic use. The individual is stuck in a tactical realm following guidelines and benchmarks instead of driving the technology based on the organization's needs.

Finally, information technology projects lack planning or management. Projects start without dedicated staff to manage the project or, worse, a consultant manages the project. Often, those in charge of the project plan do not know what questions to ask, and they rely on consultants to guide or develop systems based on the consultant's skill instead of the organization's needs and requirements.

IT Sector

Support from the IT sector to the nonprofit sector is important to successful implementation of technology. These resources often come from the private sector and include hardware, software, and consultants. As discussed earlier, consultants can be a barrier to effective use of technology but as important are the hardware and software applications that are used within the sector. If the IT sector does not provide these resources to nonprofit organizations, it is likely nonprofit organizations either will have to develop their own products or will do without resources that fit their needs.

Currently, the IT sector supports nonprofits through the use of accounting and donor management software. These software packages currently help the nonprofit sector and are the most effectively used technology within most nonprofit organizations. The areas where nonprofits are struggling relate to the data they collect on their clients, demographics, and usage information. Most nonprofits continue to use homegrown, outdated systems to maintain and manage this information. Often, the systems become a web of various tools to collect and report on data, and work-arounds are developed internally to provide accurately reported data to the leadership of the organization.

Overcoming Barriers

This is not to say the sector has been without success. Through public policy, we have seen an emergence of e-government, which has provided a venue for nonprofits to communicate with their political officials and become more engaged in the political process. Also, an area of technology use for nonprofits that has been quite successful is in the use of accounting and financial management. What has been seen here is a key role that was played by staffs with the needed skills, organizations with the capacity to support the products and the staffs, the type of organizations with the ability to embrace the technology, and an information technology sector with the ability to focus on a need of the sector.

Nonprofits must begin to look at information technology as a strategic tool. Instead of having the technology drive the organization's goals, the goals should drive the technology. The following are some recommendations on overcoming the various barriers presented to nonprofit organizations.

Create baseline budget line items for information technology that support the maintenance and growth of information technology in the organization—nonprofit organizations embrace technology, but the amount of money available for information technology is limited and, too often, a victim of budget cuts. It is critical that organizations build a baseline budget item for information technology to support the growth and maintenance of information technology. Spend the information technology budget throughout the year, not just at the end of the year if money is remaining. Pay for information technology work as you would pay for your utility bills, on a regular basis.

Develop a Technology Committee in Which Board Members, Staff, and Volunteers Can Participate

This committee will provide much of the information technology knowledge that these organizations lack. The committee would provide peer support, recommendations, and guidance to the nonprofit organization. The individuals selected can come from the board and volunteers in the community. The information technology staff of the organization, along with any other technology-savvy individuals, should also be included in this committee. Be sure to incorporate the naysayers in an organization, for they provide unique and differing viewpoints that can help keep the technology from driving the goals.

Use Consultants to Help Support With Their Expertise but Not to Drive Information Technology Projects

A clear vision and focus for consultants will help in the successful implementation of information technology projects in the organization. All projects should be managed and supported by internal staff in the organization, not by an outside consultant. When engaging a consultant, clearly outline the requirements expected of the consultant and those expected of the organization.

Provide Ongoing Continuing Education for All Staff

This particular investment is critical because staff has very little information technology support or education. The importance of education is described well by a human services organization's chief operating officer who stated to the author,

> We are a human service agency, we are not a technology firm and we have non technical people using a lot of our technol ogy. And if you don't have that bridge between the technology verbiage and usage, to that human service part, you can give them the best instruments in the world but they won't use them and in some instance, won't use them well.

Organizations need to provide information technology education regularly, and this can be accomplished through brown-bag lunches or staff meetings. The education could occur as often as monthly or less frequently, but the key is to provide regular education for staff focused specifically on information technology.

Embed Information Technology Into the Organization's Strategic Plan

Planning is essential to effective use of information technology. When using the strategic plan to drive the requirements of information technology, the projects will align with the organization's goals rather than focus on guidelines and benchmarks. Often, tactics are confused with strategy, but they are different. A tactic is a very specific task to be accomplished, while a strategy is an overarching broader goal, which the tactic supports. It is important to create a tactical plan, but that should be given to the information technology staff to use for implementation. The overall information technology strategy should be embedded into the strategic plan of the organization.

Provide Project Planning and Support for All Information Technology Projects in Organizations

Support and manage every information technology project undertaken by the organization by assigning a key staff person to the project. To ensure successful information technology project implementation, allocate sufficient time and organizational assistance to the individual supporting the project. Organizational assistance can be given through education, such external resources as a team of advisers like the Technology Committee, and organizational leadership. These individuals should have a good understanding of the organization.

Identify Key Measurements for Identifying Success

Knowing your goals and objectives for the project by developing key measurements will help to identify project success and, in the case of failure, with learning what to avoid next time. Drive the measurements by the goals of the organization. For example, the goal of being able to track clients more efficiently could have the measurement of staff spending less time managing client paperwork. These types of measurements will allow the organization to reflect on projects that can be successfully completed internally and those where external support would be beneficial.

Provide Internal Backup for Volunteers

Volunteers can provide much support and help in regard to IT, but day-to-day volunteers should not be working on mission critical applications without backup of staff within the organization. Nothing is worse for an organization than having a volunteer set up a website then leave without providing any information on how to maintain or manage the site. This puts the nonprofit in an awkward position of finding another volunteer, hiring a consultant, or finding staff to uncover the answers.

Hire Staff With an Acumen for Technology

When hiring staff, verify that they have the skill set to learn new technology. This can be done by testing the individual during the hiring process by providing specific tasks to accomplish. These tasks may be simple, such as writing a letter, or more complex tasks, such as updating a website. Whatever the test, make sure that existing staffers are also able to complete the tasks required by new staff. Those not able to complete those tasks should be provided more education.

Always Ask for a Discount

The IT sector is beginning to notice the nonprofit sector, and companies are providing software to the sector for a fee. Many of these companies are offering discounts or purchasing discounts to nonprofit organizations.

Questions to Consider

As noted, nonprofit organizations struggle to use technology effectively. They are lean in usage of technology and lack the resources to provide what is necessary for IT to be effective. The three investments, infrastructure, human capital, and planning, can often stand in the way. It may be necessary for the leader of an organization to decide against a project as the investments are not possible.

The questions in Table 77.1 are intended to help with making decisions related to a specific technology project. There may be additional questions to add to the list, but this list can serve as a starting point. The questions in Table 77.2 are just a sample with examples from a sample organization. Use it as a guide.

Project Description:	
	Answers
Questions related to specific resources that will support internal functions of the organization	
Does the organization have an organization-wide technology budget?	
Does the technology budget include existing and future technology investments?	
Does the organization have the ability to support any new technology investments for this project?	
Questions related to supporting the human assets of the organization	
Does the organization have the ability to provide time and resources for staff and/or volunteers to acquire education?	
Will staff and/or volunteers be learning something new that changes the internal processes of the organization?	
Does the project require a consultant? If so, does the consultant understand the inner workings of the organization and nonprofit organization?	
Questions related to the strategic plan on how to effectively spend the organization's money	
Is this project critical to the strategic direction of the organization?	
Is the project supported by the board?	
What will be done if the project fails?	
Summary	

Table 77.1 Technology Project Planning Questions

Project Description: Develop website that can be updated and managed by staff.	
	Answers
Questions related to specific resources that will support internal functions of the organization	
Does the organization have an organization-wide technology budget?	Yes, the organization has a technology budget for the entire organization.
Does the technology budget include existing and future technology investments?	Yes and no, the technology budget includes the cost of existing technology but not its future cost.
Does the organization have the ability to support any new technology investments for this project?	No, currently the organization is only able to support the existing investments. Any new investments would require additional funding to be found.

Table 77.2 Technology Project Planning Sample

	Answers
Questions related to supporting the organization's human assets	
Does the organization have the ability to provide time and resources for staff and/or volunteers to acquire education?	Yes, staff and board are collaborating on this project. Board will provide the education to the staff and/or volunteers. Additionally, outside training will be provided to staff and/or volunteers.
Will staff and/or volunteers be learning something new that changes the internal processes of the organization?	Yes, the internal processes of the organization will need to change. Staff and/or volunteers will need to develop and design the new processes on updating and maintain the website.
Does the project require a consultant? If so, does the consultant understand the inner workings of the organization and nonprofit organizations?	Yes, an outside training firm will be hired to train staff and/or volunteers on the usage of the new system. The system will also be developed by an outside consulting firm. The consultant does not know the inner workings of the organization nor of nonprofits in general. Staff and/or volunteers will need to educate the consultant.
Questions related to the strategic plan on how to effectively spend the organization's money	
Is this project critical to the strategic direction of the organization?	No, this project is not critical to the strategic directions or goals of the organization.
Is the project supported by the board?	Yes, the board initiated this project and feels it will help them with some short-term goals and other organizational goals.
What will be done if the project fails?	Hopefully, the organization will learn from the mistakes and try to make it work.
Summary	The project has little to do with the organization's strategic goals but is a tactic toward helping to effectively manage our communications. Currently, we have to wait months for website updates to take place and this new system will allow us to make our own changes.

Summary

As Jim Collins in his book *Good to Great* writes about the use of technology in companies that went from being "good" to being "great" companies, "when used right, technology becomes an accelerator of momentum, not a creator of it. The good-to-great companies never began their transition with pioneering technology, for the simple reason that you cannot make good use of technology until you know which technologies are relevant" (Collins, 2001, p. 152). So with this, we know that technology will be a catalyst for taking a company from being good to being great but will not be the sole reason for the transition to a great company. Often, those great companies will not even list technology as a top-10 tool that helped their companies move from being good to great. But it is clear, technology played a role—but that role would not be successful without the investments in infrastructure, planning, and most especially human capital. Technology can also potentially hinder an organization's ability to grow if used ineffectively and without thought.

Both the nonprofit and IT sectors need to increase their capacities. An internal and external change needs to take place for success with IT implementation in nonprofit organizations. Both nonprofits and the IT sector need to increase their capacities, in different ways.

For those interested in being involved in the nonprofit sector as a career, it is important to note that the sector is changing rapidly. Gone are the times when one could set aside technology as a tool and just interact with people. While service to individuals is mission critical to a nonprofit's success, that service will include the use of technology. It would benefit those looking at the sector as well as those in the sector to continue their technology education by taking classes at a community college or adding technology courses to their existing coursework.

Why Important to Undergraduates

The nonprofit landscape as it relates to technology is changing. Many organizations are embracing the use of new technology tools, such as social media tools like Facebook, MySpace, Twitter, and so on, but there are investments that must be made for success. These investments include staff time and resources and possibly actual dollars.

Undergraduates have been exposed to technology both for recreational and academic purposes. It is important that the student understand the gaps that will be found in the nonprofit sector and how those gaps may be filled. Some will require outside help or support, but many are well within the abilities of the newly hired individual. It could be as simple as training existing staff on how to use an existing database system or spreadsheet program, or it could be the more complicated task of being the project manager of a technology project. The skills and training the undergraduate brings to the nonprofit can become an invaluable resource to the organization.

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Leading New Technology Innovation

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Technology is an integral part of all organizations. The majority of nonprofit organizations have a computer with e-mail and access to the Internet and a website. Yet many nonprofit leaders often overlook and underutilize technology within their organizations. This is especially the case with nonprofits that view technology as an administrative component versus an integral and strategic part of the entire organization. Additionally, technology has evolved so quickly in the last 10 years that many nonprofit leaders struggle to make decisions to meet the minimum technology requirements needed to accomplish their programs and missions.

Hackler and Saxton (2007) define six competencies that are critical for strategic technology innovation in nonprofit organizations. These competencies, which are supported by literature, include "(1) information technology (IT) planning; (2) IT budgeting, staffing, and training; (3) Internet and Web site capabilities and use; (4) measuring IT effectiveness; (5) board support and involvement in IT decision-making; and (6) leaders' understanding of the strategic potential of information technology" (p. 474). One additional competency will be explained in this chapter: (7) selecting hardware and software. These seven competencies are the key for nonprofit leaders to lead new technology innovation within their organizations, which impacts nonprofit programs and mission achievement.

IT Planning

Nonprofit technologists (e.g., staff, consultants, nonprofit technology assistance providers) encourage nonprofit managers to integrate technology into the organizational-planning process (Gilbert, 2009), and previous research indicates organizations with Internet access are more likely to engage in technology planning (Hackler & Saxton, 2007). Recent studies show, however, that 63% of nonprofits do not have a formal technology plan (Levine, 2008a), so the majority of nonprofits must overcome a lot of barriers to even begin the technology-planning process. Many of these barriers and/or decisions are capacity related (e.g., allocating time and money to the process). In many cases, nonprofits must shift resources away from programs and services to engage in technology planning (Merkel et al., 2007). Typical technology planning decisions a nonprofit leader must face are, How do I create a technology plan? Should I integrate technology planning into the annual budget planning process for my organization? What should I include in a technology plan? Key studies about nonprofit technology planning and key resources will be used to explain successful technology planning steps.

One group of researchers (Merkel et al., 2007) is helping nonprofits overcome barriers to engage in technological planning. Their participatory research approach empowers nonprofits to take control over the technology planning process. As a result, nonprofits have integrated technology planning into their day-to-day activities. Similar research confirms that when nonprofits engage in technology planning, they are more successful in accomplishing their work (Silverman, Rafter, & Martinez, 2007). Researchers also suggest that nonprofits' obstacles to engage in technology planning could be caused by the few funders that support technology projects and initiatives within nonprofit organizations (Cortez & Rafter, 2007).

Tech Soup (http://www.techsoup.org) and the *Philanthropy Journal* (http://www.philanthropyjournal.com) provide practical how-to articles on technology planning to help nonprofits overcome technology-planning obstacles. These articles state that successful technology planning is achieved when all members of the organization are involved in the planning process. There are also a variety of other technology-planning guidebooks, seminars, and consultants that offer technology-planning assistance to nonprofits.

IT Budgeting, Staffing, and Training

In many cases, large national nonprofits have technology departments and IT support staff working within their organizations, yet small nonprofits (with budgets less than $1 million) struggle with technology innovation (Wing, Pollak, & Blackwood, 2008). Researchers have determined that tech-savvy organizations are more likely to engage in IT budgeting, staffing, and training than smaller organizations (Weill & Aral, 2005). For nonprofit leaders to become proficient in technology, they must make key decisions, such as, How large should my IT budget be? What percentage of my organizational budget should my IT budget be? What line items should I include in the IT budget? Should someone within the organization handle IT, or should I hire an outside consultant to handle our IT needs? How many hours would this person spend on the technology needs in the office? What type of technology training does my staff need? What type of IT training is available? Key studies about nonprofit technology budgeting, staffing, and training as well as how-to resources will be used to help nonprofit managers lead these processes within their organizations.

Budgeting

Studies about nonprofit technology budgeting tend to be broken down into budgeting for capital expenditures, budgeting for discretionary funding, and budgeting for training. The Nonprofit Technology Enterprise Network's (NTEN) staffing survey reported that 93% of nonprofits budgeted for capital expenses, 90% budgeted for discretionary funding, and 53% budgeted for training (Levine, 2008a). While Hackler and Saxton's (2007) study reported (with 2001 data) that 57% of nonprofits budgeted for hardware, 58% budgeted for software, and 36% budgeted for training. Although from completely different data sources and time periods, these two studies may indicate that over time nonprofits increased their technology budgets.

Other studies show the differences in technology budgets between large and small organizations. Small organizations tend to make technology purchases in an ad hoc fashion while larger organizations, as well as organizations that have been in business longer, tend to make more strategic budgeting decisions (Silverman et al., 2007). Researchers also argue there is a cost to nonprofits that do not budget for technology, yet others argue there is a cost to implementing new technologies that organizations may not be ready for (Merkel et al., 2007). Either way, nonprofits still need to budget for technology in a comprehensive manner.

There are some organizations that provide technology budgeting assistance. Tech Soup (http://www.techsoup.org) provides resources for nonprofits to create and maintain an IT budget. NPower (http://www.npower.org) and other IT consultants also provide IT budgeting workshops. The majority of these groups advocate for nonprofits to incorporate IT budgeting into the organizational budgeting process.

Staffing

IT staffing is a challenging issue within nonprofit organizations. One research report stated that 1 in 26 nonprofits has an IT staff person (Levine, 2008b). However, the majority of the respondents in this report had budgets over $1 million, which is not representative of the sector as a whole (Wing et al., 2008). If executive directors do not have the technology expertise, nonprofits often turn to outside consultants, volunteers, or staff members who know something about technology. The staff members are often known as "accidental techies" (Bennett, 2005). An accidental techie takes on the role of managing technology within a nonprofit office without it necessarily being part of his or her regular job description.

The 86% of organizations with budgets under $1 million did not have an accidental techie and instead used friends or volunteers to provide IT support (Hackler & Saxton, 2007). Another study of small nonprofits in the Pennsylvania area found similar results in that nonprofits used volunteers for technology projects. However, researchers that conducted this study were wary about nonprofits involving volunteers in technology projects because volunteers may not always have the technology expertise that is needed for technology-related projects (Merkel et al., 2007). Additionally, 44% of nonprofits with budgets less than $500,000 did not have anyone provide IT support within their organizations (Levine, 2008a).

If nonprofits cannot get technology support from their staff or volunteers, then they can turn to nonprofit technology assistance providers (NTAP), a group that is part of the technology subsector. These support personnel, nonprofit technology assistance providers, circuit riders, and technologists span from technology hardware, software, and support providers to full-time or part-time IT staff within nonprofit organizations. NTEN (http://www.nten.org) is a membership organization whose mission is to support these technologists. NTEN started casually as a group of circuit riders (technology experts that generally travel around to help small grassroots nonprofits with their technology needs) interested in supporting the nonprofits with technology (McInerney, 2007) but over time turned into a formal trade association that caters to many NTAPs and larger nonprofits that can afford to hire full-time technologists. NTEN provides a variety of resources and support to NTAPS but is mainly known for its annual conference with product demonstrations, trainings, and support opportunities.

Additionally, there is also a subset of nonprofit technologists (technologist activists) that provide support to NTAPs, other technologists, and nonprofit staff members through their own smaller nonprofit technology events like Penguin Days (http://www.penguinday.org) that teach nonprofits about free and open source software. However, both these groups tend to be isolated from the majority of nonprofits as confirmed in recent empirical studies (Manzo & Pitkin, 2007). There are NTAPs looking for nonprofits to support and nonprofits looking for NTAPs to support them, yet both groups underutilize one another because they do not venture outside of their respective networks or subsectors or do not know where to find one another.

There are also communication issues between nonprofit staff and NTAPs. Nonprofit workers, especially female workers in the sector, have frustrating experiences working with predominately male technology consultants (Manzo & Pitkin, 2007). Organizations like Aspiration (http://www.aspirationtech.org) provide workshops on how nonprofit staff and NTAPs can communicate effectively and work out their different expectations. Also, researchers and practitioners alike are trying to help nonprofits understand the technology decision-making process (Merkel et al., 2007). Even so, there is a noted disconnect between nonprofit expectations and needs versus NTAP's expectations, and researchers have found that either nonprofits are not aware of all the technology assistance available to them or nonprofits do not find NTAPs helpful (Silverman et al., 2007).

Another way nonprofits can access support for technology is through collaborations and networks. Collaboration and networks are important technology support mechanisms for nonprofits. In fact, the most successful nonprofits were ones that tapped into their networks for technology resources and support (Silverman et al., 2007). Also, partnerships enhanced nonprofits' long-term sustainability efforts and made it so that IT efforts were handled appropriately (Hackler & Saxton, 2007). Similarly, nonprofits that had access to technology had an easier time engaging in collaboration and networks (Clerkin & Gronjberg 2007). In a study of over 2,000 nonprofits in Indiana, 56% of them were involved in collaborations and networks in some capacity.

There are a variety of technology specific networks that nonprofits can access. Some of these networks are limited to nonprofits with certain missions or program focuses; however, these networks tend to connect nonprofits with a plethora of nonprofit technology resources and information. Already mentioned above, NTEN is the largest network of NTAPs, and then, there is the Community Technology Centers Network (http://www.ctcnet.org) that provides resources and support to its member centers across the United States. Community Technology Centers (CTCs) tend to provide computer access to many low-income and underrepresented communities. In recent years, CTCs have struggled financially due to loss of government funding, but the CTC Network continues to provide resources and support to member organizations. Other networks include the National Center for Law and Economic Justice's Low Income Networking and Communications (LINC) Project (http://www.lincproject.org) that did provide support to nonprofits that worked in low-income communities but due to funding issues went out of business and NPower (http://www.npower.org), a network of nonprofits throughout the United States that provides technology training and support to over 4,000 nonprofits. There are also many nonprofit technology-related support networks and groups in cities across the United States. For example, OneNorthwest (http://www.onenw.org) specifically provides technology support to environmental groups in the Seattle area.

Training

Research shows that budget size and number of full-time staff are positively related to whether or not nonprofit staff will receive formal technology training. Additionally, nonprofits that engaged in technology training were more likely to have technology plans (Finn, Maher, & Forester, 2006). NTAPs advocate nonprofits should spend only 30% of their technology budget on hardware and software (http://www.npower.org/training). However, since the majority of nonprofits have budgets under $500,000 (Wing et al., 2008), many do not allocate and, in many cases, may not have sufficient resources to fund staff to participate in technology training programs or conferences. In such situations, online learning is virtually required if any sort of professional development is to occur.

There are many in-person workshops and virtual-training opportunities for nonprofits that want to learn more about nonprofit technology. As mentioned above, the NTEN conference (http://www.nten.org/ntc) is a great opportunity for nonprofits to participate in workshops and gain new skills. However, if nonprofits cannot afford the conference fee, there are other alternatives. Microsoft (http://www.microsoft.com/learning) is a great example of a company that provides on-demand, computer-based training where nonprofit staff can insert a disc and gain training on Windows-based software, such as Microsoft Office. Other training mechanisms include online discussion boards, community social-networking sites, and e-mail listservs (e.g., http://www.techsoup.org/learningcenter/training, http://npower.org/training & http://groups.nten.org/grouplist.htm).

Some researchers have criticized online learning tools in that they provide no opportunity for face-to-face social interaction (Kreijns, Kirschner, & Jochems, 2003). Other research shows, however, that the Internet has proven important for professional development within nonprofit organizations (Finn et al., 2006). As online technology training is still a new phenomenon, there is no research to indicate whether one method (online or in-person) is better than the other.

Internet and Website Capabilities and Use

The earliest nonprofits were on the Internet in the late 1980s (Cravens, 2009); however, the nonprofits that were on the World Wide Web at that time tended to be more technologically savvy. The majority of nonprofits lag way behind. Most nonprofits face many questions about their online presence such as, How interactive should my website be? Is my website "a communications tool, a technical tool, or a strategic tool"? (Hackler & Saxton, 2007, p. 479). What third party websites should I post my nonprofit's information on? Should my organization use an online database? Are my data safe if they are online? What is e-Advocacy (online advocacy), and what sort of tools can I use to perform e-Advocacy? How should I manage my e-mail list? How often should I e-mail my constituents? What types of e-mails should I send? How can I track the e-mail newsletters I send? What's a click-through rate?

NTAPs want to help nonprofits with these decisions, but unfortunately, many nonprofit managers take on more technology projects than they can handle even after the NTAP leaves (Merkel et al., 2007). Current studies of nonprofits' use of the Internet, websites, and the new Web 2.0 infrastructure, as well as how-to sites, will be used to describe how nonprofit leaders make decisions about their online presence.

Internet

Since the Internet has evolved so quickly, studies of nonprofit access to the Internet have become obsolete. Researchers in the past focused on how many or what percentage of nonprofits had access to the Internet. Now, studies focus on nonprofits' use of new Internet capabilities, for example, online advocacy (e-Advocacy) and e-mail marketing efforts (e.g., M & R Strategic Services & Nonprofit Technology Enterprise Network [NTEN], 2008). Empirical research is still lacking in this area. There is an entire market of online software but little research to assess nonprofits' use of this online software.

With limited time and resources, nonprofit leaders must choose the best option. NTAPs are working to provide nonprofit leaders with information, so they can make informed decisions about how to best use the Internet. A few years ago, CompassPoint released a how-to guide for nonprofits to use application service providers (a company or person that provides a technology service over the Internet), the Internet, and online software (Stein & Kenyon, 2004). This guide (p. 10) advises nonprofits to take six steps when selecting an application service provider (ASP):

1. Assemble a team.
2. Define your organizational needs.
3. Search for ASPs and get bids.
4. Apply your search criteria.
5. Check customer references.
6. Sign a contract.

Shortly after this how-to guide emerged, other NTAPs followed suit and provided similar resources about nonprofits' use of the Internet and World Wide Web (e.g., Groundspring.org, 2004; Network for Good, 2008). However, recent how-to resources tend to be directed at teaching nonprofits how to do online fundraising and advocacy rather than at providing a general overview of how nonprofits can best use the Internet.

Websites

In the early 2000s, many nonprofits did not have a website, and those that did were larger organizations (Clerkin & Gronjberg, 2007). For example, educational nonprofits were 7.8 times more likely to have a website than human service and arts or culture and humanity nonprofits. Additionally, organizations in urban areas were more likely to have a website than organizations located in rural areas. Researchers suggest four ways nonprofits can be responsive online: (1) target online content and programs, (2) broaden targeting efforts, (3) balance online efforts and needs of the constituents and stakeholders, and (4) use technology to meet the needs of constituents and the community (Hackler & Saxton, 2007). Scholars believe that website interactivity is tied to organizational performance and connectivity with constituents, and nonprofits are not using the World Wide Web to outreach or connect with their constituents in ways they could be (Kang & Norton, 2004).

Website technology has evolved very quickly. Now, nonprofits can easily update and share their content online. In the past, people had to learn coding to manage their websites. Now, there is open source software and user-friendly interfaces, so any staff member can post information to the organization's website. With this ease come downsides as well. Nonprofits now have to deal with creating and upholding a privacy statement on their websites and be accountable to their donors on how they use this privacy statement. Additionally, more and more software are moving online causing nonprofit leaders to make tough decisions about the safety of their data. Nonprofit leaders also must make decisions about third party websites. Websites like Changing the Present (http://changingthepresent.org) promise to connect nonprofits with new donors and constituents, and some private companies are doing reviews, rankings, and certifications of nonprofits—the Better Business Bureau (http://www.bbb.org/us/charity) and Charity Navigator (http://www.charitynavigator.org), for example. Overall, these sites are receiving mixed reactions from the nonprofit community due to questionable methodology and profiteering from donations.

Web 2.0

Nonprofits are beginning to learn the importance of engaging with stakeholders online. Researchers, consultants, and practitioners advocate for nonprofits to use Web 2.0 technologies to connect with organizational constituents in new ways. Web 2.0 technologies consist of social networking, blogging, and online communities. Beth Dunn (2008), an NTAP, explains how nonprofits can best use Web 2.0 technologies in her presentation *Social Media for Nonprofits: Overview*. Researchers are beginning to measure nonprofits' involvement and interactivity with specific social networking sites (Waters, Burnett, Lamm, & Lucus, 2009). Early findings show nonprofits that participated on the social networking sites did not fully use these sites. For example, few nonprofits actually solicit donations through Facebook, a popular social networking site (http://www.facebook.com), even though the press has recently highlighted the success of nonprofits that use Facebook and Twitter to raise money (Shaer, 2009). There is future potential for nonprofits to use Web 2.0 technologies within their organizations; however, nonprofits must decide on which sites they will participate and how they will manage staff interacting on the Web 2.0 sites.

The Measurement of IT Effectiveness

It was already stated that it is difficult for nonprofits to plan and budget for technology. That, topped by the fact that effectiveness is challenging to define (see Herman & Renz, 2008), makes it equally challenging to define and measure IT effectiveness. Some people use return on investment (ROI)—what the organization gains or loses in order to purchase the technology tool or device—to measure IT effectiveness, yet others use metrics or combine the two methods. There has been a push from funders and the public for nonprofits to show outcomes and measures of their successes. Unfortunately, many nonprofits are not sophisticated enough to use the methods of IT metrics or ROIs to measure their IT effectiveness. Nonprofits think of effectiveness in different terms from funders and NTAPs. Nonprofits define IT effectiveness in terms of success (Silverman et al., 2007), and in assessing this success, nonprofit leaders must ask, what does IT effectiveness look like, and how do we measure it? Academic studies that attempt to define and evaluate nonprofit IT success and how-to documents will be used to describe how nonprofit leaders measure IT success within their organizations.

A study of 28 small nonprofits throughout California found that nonprofit leaders measure the success of their efforts by (1) being able to use the technology, (2) identifying what technology they need to use, (3) being able to change the technology based on their needs, and (4) the people that are using the technology (staff or community) understanding and/or being receptive to the technology (Silverman et al., 2007). Additionally, in another study, success or effectiveness was measured by staff productivity and number of clients served (Hackler & Saxton, 2007). Moreover, in a third study, nonprofits that took over the technology planning and projects were considered a success (Merkel et al., 2007). These studies confirm there is no one way to measure IT effectiveness or success. Researchers continue to debate about the "divide between organizations that effectively use technology versus those that do not" (Cortez & Rafter, 2007, p. xiii).

This divide argument is part of a larger debate about technology's role in improving performance. Some researchers believe that technology does improve organizational performance (Schneider, 2003; Silverman et al., 2007), yet others believe technology cannot be tied to organizational performance (Clerkin & Gronjberg, 2007). This debate could be linked to the confusion over defining performance and effectiveness within the nonprofit sector.

Technology providers and consultants are addressing the issue of IT effectiveness by teaching nonprofits how to use metrics (the number of visitors on a website or the number of click-throughs in an e-mail). A well-known nonprofit technologist, Beth Kanter (2008), frequently writes about this topic and states the two flaws of using metrics to measure IT effectiveness: First, there are many intangibles in nonprofit technology that are impossible to measure, and second, data are not perfect. Nonprofit managers need to understand these flaws before using any metric or ROI to measure the effectiveness or success of their IT efforts.

Board Support and Involvement in IT Decision Making

There is very little research about board support and involvement in IT decision making because the research that is available on nonprofit boards and governance is focused on general governance practices and board participation. Even with little research on this topic, nonprofit leaders still encounter challenging decisions about involving the board in the IT decision making. Nonprofit leaders must consider, How much do I want my board to be involved in the technology process? Can my board help me with technology decisions? Will my board support my technology decisions? Studies of IT decision making and how-to articles will be used to explain how nonprofits leaders get board members involved in the IT decision-making process.

Researchers believe that board involvement in IT decision making affects whether or not technology will be implemented within organizations. Some boards have more influence over the technology budgeting process than other boards do (Hackler & Saxton, 2007). Also, board support and involvement in IT decision making is linked to organizational culture and values (Manzo &

Pitkin, 2007). If a board does not value technology, then this will trickle down through the organizational culture, and the organization will be less likely to use technology. Researchers encourage nonprofit boards and funders to be more proactive in the nonprofit technology planning and decision-making process (Cortez & Rafter, 2007).

The how-to documents about board involvement in IT decision making appear to be contradictory. On the one hand, NTAPs advocate for board members to take a more proactive role in IT decision making, for example, by creating a technology advisory committee (Peters, 2009). On the other hand, sometimes a nonprofit board is too proactive with IT decision making; for example, they get the organization involved in a technology project that is beyond the organization's capacity (Osten, 2002). There is a delicate balance between having a board involved versus not involved in an IT decision-making process.

Leaders' Understanding of the Strategic Potential of Information Technology

Some studies show that nonprofits are more successful when they incorporate technology planning into their strategic planning process (Silverman et al., 2007). Few nonprofit leaders, however, understand the potential of information technology within their organizations. Like effectiveness, the issue of strategy is a debated topic within the nonprofit sector. Typical decisions a nonprofit leader faces regarding technology strategies are, How can I integrate technology within my organization? How will technology strategy affect my organization? Studies of nonprofit technology use and strategy as well as how-to documents will be used to explain how nonprofits can be more strategic with the information technology within their organizations.

A nonprofit's strategic use of technology can be linked to organizational size and capacity. There is a clear distinction between large and small nonprofits using technology for strategic purposes. Large organizations are more likely to use technology and more likely to find it useful (Cortez & Rafter, 2007). Small organizations that do not use technology in an effective manner often lose funding and support from their constituencies (Schneider, 2003). Researchers found, "unequal access to technology in society at large affects nonprofits' use of technology" (Cortez & Rafter, 2007, p. xv).

The majority of NTAPs value the nonprofits strategically using technology and incorporate the word *strategy* or *strategic* in their how-to publications and workshops. NPower developed Tech Atlas (http://techatlas.org/tools), a set of minimum standards or "nonprofit benchmarks" that nonprofit leaders can follow. Additionally, NTEN's most recent book (Ross, Verclas, & Levine, 2009) covers a range of how-to topics related to a nonprofit's strategic use of technology.

Selecting Hardware and Software

The most challenging decision a nonprofit leader faces is choosing the right hardware or software for his or her organization. Some researchers say these purchasing decisions are influenced by donor or funder preferences (Clerkin & Gronjberg, 2007). Additionally, many nonprofit managers are disappointed about technology products and services because they feel the products are not being developed to meet the needs of nonprofits' specific missions (Manzo & Pitkin, 2007). Research about nonprofits' hardware and software use, how-to documents, and websites will be used to explain how nonprofit leaders' make hardware and software selection decisions.

Hardware

Many hardware selection questions arise for nonprofit leaders, such as, Should we use Macintosh (Mac) or Windows (PC) personal computers? When will we need to replace our computers? How do we network our computers together? When is the right time to replace our server? What type of backup should we purchase or use? What type of telephone system should we use? Should we purchase or lease a telephone system?

Previous research reports that 98% of nonprofit organizations had desktop computers, 59% had laptops (in 2001), and 61% had servers (Hackler & Saxton, 2007). Also, larger organizations and organizations whose income sources were over 50% from the government were more likely to have computers (Clerkin & Gronjberg, 2007). Like hardware use, budgeting for hardware expenses varies by organizational size. Small organizations (income sources under $500,000) budgeted $12,532.50 per year for hardware, and all organizations budgeted $126,278.23 per year (Levine, 2008a).

Organizations such as Tech Soup understand these challenging hardware decisions and provide the *Healthy and Secure Computing Workbook* (http://www.techsoup.org/hsc) that helps managers with their technology hardware planning, implementation, and support decisions. Healthy and Secure Computing (HSC) provides everything from what type of computers nonprofits should have in their offices to how to create a technology inventory.

Software

When it comes to choosing software, the task can be even more daunting. Nonprofit managers' software decisions include, What kind of software do we need on our computers? What kind of support can I get with that software?

Although there is extensive research about nonprofits' computer, e-mail, and website use, there is a dearth of research on nonprofits' use of software. Existing research focuses on nonprofits use of free and open source software (FOSS) around a specific issue area such as disaster relief and advocacy (e.g., Currion, de Silva, & Van de Walle, 2007). Also, as mentioned above, nonprofits are starting to use online software.

There are many NTAPs that guide nonprofits through the software decision-making process. Idealware (http://www.idealware.org) provides nonprofit software reviews. Tech Soup (http://www.techsoup.org) provides articles and information about many types of nonprofit software and discounted software available for purchase. On its website, the Social Source Commons (http://www.socialsourcecommons.org) organization is also attempting to compile a comprehensive list of all the nonprofit software and is providing a variety of mechanisms to sort and find this nonprofit software by type, tags, or keywords.

Summary and Future Directions

Nonprofit leaders face many decisions and challenges when trying to innovate through the use of new technology within their organizations. They use a variety of data sources and resources when considering decisions about technology planning, budgeting, staffing and training and online and web usage, measuring IT effectiveness, board involvement in technology decision making, and the strategic use of technology and hardware and software purchases. Data sources will be used to describe what technology research and resources nonprofit leaders access; as well, recommendations will be made on how nonprofit leaders can better access nonprofit technology research and resources.

Data Sources

There is a dearth of rigorous peer-reviewed research on nonprofits and technology (Cortez & Rafter, 2007), and since technology is quickly evolving, the studies that do exist on nonprofit technology use become obsolete after only a few years. The research that exists comes from two distinct sources: NTAPs and academic researchers.

The NTAP studies tend to have respondents from large organizations (with budgets over $1 million) that can afford technology (e.g., Levine, 2008a, 2008b; Nonprofit Technology Enterprise Network [NTEN] & NPower, 2006). These studies provide real-time information about nonprofits' use of technology and are not outdated as are many of the academic based articles that cover specific subsets of the nonprofit sector, such as health, education, and fundraising, and selected samples of community-based organizations (e.g., Coye & Kell, 2006; Finn et al., 2006; Merkel et al., 2007; Saxton, Guo, & Brown, 2007; Silverman et al., 2007).

The challenge with academic studies is that the data tend to be from a few years prior, even with studies published recently. This is common in the academic publishing process: Academic-based studies become obsolete even before they are published. Two examples to this fact are the following: Hackler and Saxton's study published in 2007 used data from the "Gift In Kind International 2001 Technology Tracking Study." These authors attempted to synthesize a national sample of nonprofits; however, since the study used data from 2001, it is challenging to assess the relevancy of the data for today's nonprofit leader. Also, the Clerkin & Gronjberg study published in 2007 studied Indiana nonprofits and used data from 2002. Many of these previous studies assessed nonprofits' access to hardware, software, and websites, finding what percentage of nonprofits had computers, a server, a network, a website, and access to the Internet. While this may have been important at the time, this is not the case today. Practically every nonprofit today has computers, access to the Internet, and a website, so now, NTAPs and researchers alike are interested in how nonprofits are using the technology within their organizations. Unfortunately, very few studies covered the topic of nonprofit technology usage until recently.

From these types of data, it is challenging to get an accurate representation of the sector as the majority of nonprofits have budgets less than $500,000 (Wing et al., 2008). The data tend to be skewed toward larger organizations that can afford the technology and have budgets well over $1 million. Technology use appears to be tied to budget size. Several of the studies separated out responders of small and large organizations; however, they did not use a similar scale for classifying small organizations. Some studies included small organizations, which were considered those with budgets less than $1 million; in other studies, small organizations were considered those with budgets less than $500,000. For example, the joint M & R Strategic Services and NTEN's most recent IT staffing survey (2008) specified medium organizations had budgets from $3 million to $5 million, which is a very large span. Given these issues with the academic research studies, some studies were not included in this chapter because they were either outdated or were not representative of the sector; that is, they excluded small organizations (with budgets under $500,000).

It is also important to note another source of data: the "how-to" and practitioner-based technology websites and guidebooks. Academic researchers do not usually cite these sources in reference books, however, these sources were included in this chapter for two reasons. First, since many of the academic studies were outdated, the how-to sources tended to be the most current and up to date. Second, the how-to resources are the types of resources that nonprofit managers are most likely to have access to and use when making technology decisions.

Implications for the Future

Future studies of nonprofit technology should include both practitioner and empirical research. Such future studies will help nonprofit leaders make more informed decisions about the use of new technology to implement strategy and encourage innovation within their organizations. Research papers about nonprofits' use of Web 2.0 and online software are examples of the types of studies needed. More training for nonprofit leaders should also occur and include how nonprofit leaders can begin the process of selecting, managing, using, and evaluating information technology within their organizations, starting, for example, with Tech Soup's Healthy and Secure Computing program (http://www.techsoup.org/hsc) for implementing technology hardware and Idealware (http://www.idealware.org) for implementing software.

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Social Media and Electronic Networks

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The world for nonprofit organizations, much the same as for their for-profit counterparts, continues to be shaped by technological advances and emerging technologies. For nonprofit leaders, technology change presents both threats and challenges to the daily operations and infrastructure of the nonprofit organization. In the current era of technological change, administrators must wrestle with questions such as whether to use social media, when to upgrade PCs, or when to move staff to laptops or smart phones, among other daily technology decisions. Much of the decision-making processes for these administrators rely on a combination of personal experience with technology and advice from IT staff and finance officers. While it is not possible to provide a specific blueprint for administrators to use in these situations, the purpose of this chapter is to prepare administrators with the necessary foundation from which to make sound decisions about the use of technology.

For the purpose of this chapter, the term *technology* is used interchangeably with the term *information and com munication technologies* or ICTs. ICTs are described in the literature as modern devices used for the purpose of exchanging, extracting, and retaining information regardless of one's physical location via the Internet, Intranet, and/or the World Wide Web. This term is important as it distinguishes a specific category of technological devices from other devices, and it excludes software lacking the ability to mediate communication.

The expansion and use of ICT in our society is having a profound effect on the way we interact with one another regardless of our age, gender, ethnic background, sexual orientation, or physical location. Interestingly, while this digital culture has the potential to remove barriers to education, employment, health care, housing, and other consumer needs, it also possesses the ability to further marginalize members of our society who have limited or no access to ICTs. Based on a 2009 population estimate of 307 million people in the United States, it is reported that over 227 million people have Internet access. This means that approximately 74% of people in the United States have the ability to participate in education, the process of citizenship, gain employment, seek entertainment, and exchange information and knowledge through the use of technology (Internet World Stats, n.d.). For the remaining 26% of the population, this digital barrier will increasingly represent an inability to fully participate in society. Therefore, it is vital for nonprofit leaders to understand and develop a strategic response to technological change.

Overview of ICT Development in the Nonprofit Sector

In the mid-1960s, computer technology was thought of as an instrument for business or research institutions. The technology of this era consisted of large database storage systems that were designed to automate office processes and to serve as a tool for storing large amounts of financial data and performance information. It was designed for corporations, universities, and large agencies, not for individual users. The corporate or business focus of this period is in contrast to the emphasis on personal devices and personal use prevalent in our current digital culture.

In the 1970s and early 1980s, technology evolved from mainframe computers to affordable PC-based computers.

While this transformation in the size and cost of computers was occurring, the use of ICTs expanded to include educational applications. With the exception of researchers, early adopters of technology in the nonprofit sector began to embrace the use of ICTs from the late 1980s to the early 1990s.

During the 1990s, computers became smaller and faster and supported greater memory at significantly lower prices. These price reductions and simplified operating systems made PC ownership more practical for individuals as well as for nonprofit agencies. In addition to these changes, the Internet became more accessible than ever, and the development of the World Wide Web in the late 1980s provided a range of new possible uses for this technology. This Internet explosion led to the creation of "dot.com" businesses that took advantage of this new technology for the delivery of information, goods, and services to consumers. Billions of dollars were invested into the development, research, and application of these new technologies throughout the world.

For some nonprofit leaders, technology was viewed as a solution to the inefficiencies within their daily operations. As these administrators slowly embraced the use of technology as a way to improve efficiencies within their agencies, staff members often struggled to meet the changing demands of their positions.

Nonprofit technology use often accompanied the adoption of an outcome-driven philosophy that emphasized the use of ICTs to gather, analyze, store, and disseminate outcome information and other mandated reporting requirements attached to program funding. For nonprofits able and willing to enter the digital age at this time, the development of the World Wide Web provided an opportunity to market services beyond their immediate geographic area and to communicate easily with community stakeholders. In a relatively brief period of time, the nonprofit community was irreversibly hurled into the digital age.

In fact, the Princeton Survey Research Associates conducted a study of 203 nonprofit human service organization executives on the use of technology in their organizations. This study found that for most organizations (84%), technology had changed the way they operated over the past 5 years. In this same study, 83% of the executives viewed the use of technology as positively impacting their services. Furthermore, these executives believed that improvements to technological capacities and infrastructure positively changed their agencies' research capabilities, communication abilities, fundraising, and overall daily operations. Additionally, the majority of executives believed their use of technology translated into overall cost savings for the agency (Princeton Survey Research Associates, 2001).

While this study presented a very positive view of technology use among nonprofit human service executives, this perspective was not without its detractors. One quarter of the executives surveyed believed enhancing their technology would not improve their ability to carry out their agencies' mission. While they were positive about the use of technology overall, 29% of the executives feared that increased technology use in their agencies would negatively impact the job performance of their staffs. The implication was that staffers would be distracted from their work by engaging in personal online activities.

This concern and the reality of employee access to resources and entertainment from their desktop PCs, led to the development of common security protocols as well as an explosion of human resource policies and procedures. The incorporation of a new discipline into the nonprofit organization produced communication challenges for some nonprofit leaders. Particularly, early in this relationship, nonprofit leaders' attempts to communicate their organizations' needs to IT professionals, who reframed these discussions within the context of what is possible given the time, money, and software limitations, often created tension and even disappointment when the product did not function as intended. For some organizations, this communication challenge contributed to a slower pace of technology adoption or even an abandonment of technology deployment plans.

In the late 1990s and in early 2000, proponents of increased ICT use in the nonprofit sector including some authors discussed ICT tools, such as e-mail, electronic mailing lists, bulletin boards, chat rooms, and the World Wide Web, as useful in delivering services. Other authors such as Vernon and Lynch (2003) discussed the use of websites to facilitate professional collaboration as well as human service direct practice—similar to what has emerged today through the use of social networking.

The past 10 years have involved the development of increasingly sophisticated data management systems, lower prices for hardware, and the development of competitive *open source* software solutions. Additionally, strategic uses of the World Wide Web and the advent of Social Media and wireless access have changed the landscape of how we disseminate information, consume information, and connect to the world. Recent examples of this change can be seen in the political unrest in Iran that was brought to the attention of the world community—not by the mainstream media—but facilitated through sites like Twitter and YouTube. Similarly, the 2008 U.S. presidential election saw unprecedented use of the World Wide Web to raise campaign funds, deliver messages, and energize a political base. Although many questioned the link between this Internet activity and real votes, on election night, this question was resoundingly answered with the election of President Obama. Most recently, the tragic earthquake in Haiti has shown the power of the mobile device era. Billions of dollars were raised to support relief efforts for the earthquake survivors through the use of text messaging from cell phones, smart phones, and other mobile devices.

So what does this mean for nonprofit organizations and nonprofit leadership? What if any technology should nonprofit organizations embrace?

Planning for Technological Use

Technology-use planning should occur at both the highest level and the lowest levels of the organization. One widely accepted method for nonprofit leaders to address their organizational technological needs is the development of a technology plan. Typical technology plans describe agency policies on technology use, security, and privacy and generally outline the purchase and replacement of technology hardware and software. Technology plans are a good foundational element to address the technology infrastructure needs of the organization. While larger nonprofits typically have a sound technology plan, many small or midsize nonprofits often struggle to develop and maintain a good technology plan.

As an example, in a 2007 interview (Edwards, 2007) with leaders operating 24 nonprofit and government agencies, half of the agencies (n = 12) reported not having a technology plan. Of the 12 agencies without a technology plan, only 6 agencies could describe what they believed a technology plan for their agencies would look like. These respondents described their plans as addressing upgrading hardware/software (n = 4) and their ICT infrastructure (n = 2). Among the agencies with a technology plan, 10 out of 12 respondents described their technology plans as addressing ICT infrastructure (n = 5), upgrading software/hardware (n = 4), and funding for ICTs (n = 2). Two of the 12 agencies with a technology plan did not respond to this question. Additionally, only 2 of the 12 agencies with a technology plan had their board of directors' input into the development of the plan. The vast majority of these agencies acknowledged the influence of ICTs on their services, while struggling to maintain their technology infrastructure. While this small study may not be indicative of all nonprofits, it does raise the question, how are ICTs being integrated into the nonprofit sector?

One criticism of typical technology plans is that they are often constructed at the management level without board involvement and viewed as a support that allows the organization to carry out its mission. This level of technology plan is sufficient for daily operations but is likely to result in an organization that may struggle to understand and incorporate new emerging technologies.

In contrast, having a technology infused throughout the organizational strategic plan allows for incorporating technology use throughout the agency, including communication with the board itself. A plan at this level provides the support and structure for the administrators to begin thinking differently about the use of technology to accomplish the organization's mission. Strategic discussions of technology infusion rather than infrastructure management will set the stage for a management level technology plan.

For example, there is a fundamental difference in a strategic objective to increase the number of mentors available for youth by 50% by May 2011 through the use of enhanced recruitment strategies and stating the following: increase the number of mentors available for youth by 50% by May 2011 through the use of enhanced recruitment strategies, including the use of social media.

The incorporation of technology into the second statement clearly provides direction for administrators and staff. The second statement also has implications for the staffing needs of the agency and the technology infrastructure. The potential use of social media implies the need for staff with the knowledge and skills to use social media, in addition to a commitment by the agency to ensure access to the technology necessary to use social media (software, hardware, Internet access). Finally, this statement defines a target group of potential mentors as potential consumers of social media.

One challenge to consider is that of how boards and nonprofit leaders, who may have limited experience with technology, will be able to incorporate technology solutions into their planning. One solution is to view understanding the digital culture as another desired skill set within the organization. As leaders routinely assess the skills and attributes of staff and board members, the addition of *digital natives* or *informatics* who can understand and interpret the needs of the organization through a digital lens can keep the organization in touch with technological changes. This is not a new idea, as many organizations have found value in adding the voices of parents, teens, consumers, and so on into the strategic planning process. What the digital native (someone who was born during the digital age) or the informatics will add to this process is a level of technological diversity. Technology inclusion at the highest level of the agency's strategic plan is an important step in leading an organization capable of using technology and responding to emerging technological trends.

The dilemma of how to incorporate technology at every level of the organization is not unique to the nonprofit sector; the field of education and nursing has struggled to increase the use of technology in practice. One solution adopted in nursing was the creation of nursing informatics (NI). To move the field forward in the use of ICTs, nursing has increasingly relied on NIs to support advances in the use of ICTs in practice (Sensmeier, 2009). NIs have practiced formally since the late 1990s. NI programs can be found at Duke University, the University of Illinois, the University of Colorado, and the University of Maryland, among others. The point is that the expansion of NI content in the nursing curriculum is an indication of the level of demand in the profession for nurses possessing both technological skill and skills as a practitioner. Similarly, the demand for technological leadership in nonprofit organizations has become equally pressing.

Introducing New Technology Systems

At the operational level, nonprofit leaders are increasingly under pressure from funding sources to demonstrate meaningful outcomes. In the previous decade, nonprofit leaders focused on the implementation of accounting systems and management systems that captured process information, such as the number of home visits, the number of events, or the number of program participants. It should be noted that for smaller nonprofit organizations, much of this data collecting remains manual. The current trend is to focus on outcomes that show individual, neighborhood, or community benefit from programs and services. This increased reporting sophistication has challenged nonprofits to deploy data capturing tools, that often rely on new technology, to meet these reporting requirements. With each new introduction of technology within the organization, leadership challenges can occur. Additionally, there are often staffers who find themselves either opposed to the change or without the skills necessary to take full advantage of the new technology.

From a management perspective, these new systems make perfect sense. Administrators may struggle to understand why employees are not using the system. One reason commonly cited in the literature that may explain this struggle among employees is the *task to technology fit*. It means systems, no matter how well intended, that require employees to change their daily practices will be met with resistance unless there is a task to technology fit. There are several prominent technology acceptance models described in the literature that provide in-depth analysis of these phenomena. In the interest of simplifying this literature, I will draw on one of the most cited models, the technology acceptance model (TAM) as discussed by Davis (1989). TAM provides two basic criteria for nonprofit leaders to consider through the lens of their employees: (1) Does the employee perceive the new technology to be easy to use? (2) Does the employee perceive the new technology to be useful in carrying out his or her responsibilities?

The two components, *perceived ease of use* (PEU) and *perceived usefulness* (PU), have provided explanatory power in several studies looking at how technology is accepted in nonprofit organizations. If we further examine these components, PEU may be inhibited by the use of passwords that frequently change, screen designs that are difficult to navigate, the lack of sufficient hardware from which to access the system, or time available to learn the system. Additionally, the availability of immediate support, or the lack of support, can have an impact on technology use.

When considering PU, employees may assess whether the system creates efficiency by taking into account whether or not it saves time. Or does it facilitate continued employment? Does it improve service outcomes? Does it generate revenue? Questions of this nature can reflect the staff's struggle to make sense of this systemic change.

Unified Theory of Acceptance and Use of Technology (UTAUT)

The TAM was recently expanded to increase its explanatory power by including elements such as mandated system use and social desirability factors. The expanded model called the *unified theory of acceptance and use of technology* (UTAUT) retains a focus on the two primary concepts of PU and PEU. The concept of PEU, or *effort expectancy*, as it was renamed in the UTAUT model, is mediated by six factors: computer self-efficacy, facilitating conditions, intrinsic motivation or computer playfulness, emotion or level of computer anxiety, objectivity usability, and perceived enjoyment. While all of the six factors of the UTAUT model are important for nonprofit leaders to consider, the concept of computer self-efficacy (CSE) has received significant attention in the literature (Venkatesh, Speier, & Morris, 2002). Table 79.1 describes the UTAUT model and the moderators that contribute to intention to use.

1. Performance Expectancy	
Definition	The degree to which an individual and/or organization believes that using the system will help attain significant rewards
Related terms	Perceived usefulness, extrinsic motivation, job fit, outcome expectations, attitude toward using technology
Moderators	Gender, age, occupation, services provided
2. Effort Expectancy	
Definition	The degree of ease associated with use of the technology
Related terms	Perceived ease of use, complexity, computer anxiety
Moderators	Gender, age, experience with technology

Table 79.1 UTAUT Four Determinants *(Continued)*

(Continued)

3. Social Influence	
Definition	The degree to which an individual and/or organization perceives that important others believe the technology should be used
Related terms	Subjective norm, social factors, image, social norms, peer dynamics
Moderators	Gender, age, experience, voluntariness, governance, funding sources, competition
4. Facilitating Conditions	
Definition	The degree to which an individual believes that an organizational and technical structure exists to support the use of technology
Related terms	Perceived behavioral control, compatibility, trust
Moderators	Age, experience, technology plan, training, technology support

SOURCE: Adapted from S. Taylor, “Technology Acceptance: Increasing New Technology Use by Applying the Right Messages,” *Performance Improvement, 43*(2004), 21 23.

Computer Self-Efficacy

CSE is the application of Bandura’s (1977) self-efficacy concept to explain the use or lack of computer use. According to the term, self-efficacy refers to an individual’s perception of their ability to perform a task or activity. This concept as applied to computer use refers to the individual’s perception of his or her ability to use a computer. While the early literature focused on CSE related to general computing, more recent literature discusses the CSE concept in relationship to general computing and specific computing tasks or activities. In other words, because an individual may perceive her or his ability to perform general computing as good (high CSE score), this does not mean that the same individual will also perceive her or his ability to navigate the World Wide Web as good. Because the concept of CSE is influenced by factors such as motivation and technology experience, among other factors, using a specific task measurement has proven to be the more successful way of assessing CSE. For populations that may have limited or no exposure to ICTs, the perception of computer skills and the benefits to be gained from computer use may greatly influence the willingness to participate in computer-related activities.

The point of this theoretical discussion is that because nonprofit sector use of technology will increase in the future, it is crucial that leaders find ways to communicate effectively with employees and other stakeholders in a language that reflects an understanding of how others may view technology use. Considering these questions from the employee perspective will enhance the chances for successful implementation. In fact, the best strategy to increase the effectiveness of a new technology is to incorporate staff and constituents in the design process as early as possible. This strategy provides staff and other users the opportunities to shape the design of the new technology to fit their daily practice. Staff involvement in the early stages of design also facilitates the development of staff *innovators*. Innovators are the one or two personnel who are able to visualize how this new system could positively add to their work experience. Innovators can be influential in helping other staff see the benefits of the new system as well as solving preimplementation problems that could derail the project’s success.

In the late 1990s, as educational institutions were working to infuse technology throughout the curriculum, it was often teachers in the role of innovators that influenced their peers to use technology by demonstrating its usefulness in the classroom. These innovators functioned as trainers, coaches, and cheerleaders for teachers struggling to adopt technology into their pedagogy. Similarly, it is important for nonprofit leaders to identify the innovators and harness their talents to improve the likelihood of success for the new system.

Social Media and Social Networking

So far, our discussion has not specified any specific class of ICTs; however, in light of the current climate, it is likely that a significant number of nonprofit organizations are contemplating or have decided to take the plunge into social media and social networking. Because of this reality, a significant portion of the next section has been devoted to this relatively new class of ICTs, which emerged during the Web 2.0 era.

Much as when the World Wide Web was first introduced into the nonprofit sector, there was much enthusiasm around this new technology. As a result of this enthusiasm and because of the apparent success of online businesses, many nonprofits quickly erected their own websites without much consideration for the audience they intended to reach or the actual purpose for the website. In fact, some early nonprofit website creators paid no attention to website accessibility standards so that sites even lacked basic information about the organization, such as e-mail addresses, board of directors' information, and so on. Many of these sites were typically static pages that provided little information to the person opening the webpage. Equally challenging with early nonprofit website use was frequent lack of planning on how the site would be updated or maintained. For employees who accepted the responsibility to update and maintain the agency website, there was typically little formal training and few work hours dedicated to this activity. The result was a website with outdated information about the organization and its services and an employee who felt undervalued and underappreciated.

As an example, in the same study referenced earlier, 24 nonprofit agencies of various sizes were asked a series of questions about their websites. Nineteen of the 24 respondents had a website, 12 of which were stand-alone websites. The primary reason for the development of the agency website was to benefit (in order) consumers (n = 8), general public (n = 8), staff (n = 2), and other professionals (n = 1). What is interesting about the agency targeting its consumers is that there was no evidence at the time to support the theory that the agency clients had access to computers or the Internet or possessed the skills necessary to take advantage of web-based resources. While conceptually for these organizations a website made sense, the lack of planning on the purposes for the websites may have led to the agencies' missing their targets.

Similarly, consistent with a website's main target, the agencies described the goal or purpose of a website as a place to provide information about the agency to the public and for potential users of the services. Table 79.2 illustrates the perceptions of the 19 respondents with regard to positive aspects of having a website. The five agencies without a website did not respond to this question.

When asked about the negative aspects of having a website, updating and maintaining the website was most often reported (n = 8). Four agencies did not believe there were any negative aspects to having a website. The negative aspects of having a website as reported by the 19 agencies responding to this question are listed in Table 79.3. The five agencies without a website did not respond to this question.

Changing and updating the website was viewed as "easy" especially when this task was performed by staff with professional technology training. For other staffers, training, type of software, and capacity issues influenced their abilities to update and maintain their websites. Interestingly, 6 of the 19 agencies who reported having a website did not respond to this question.

As a follow-up question about the ease of updating the website, agencies were asked who assisted with this function. Of the 14 responses, 8 agencies had on-site assistance and 5 agencies had off-site assistance. Five of the 8 agencies with onsite assistance found changing or updating the website easy. For agencies with offsite assistance, 3 of the 5 agencies viewed changing or updating the website as easy.

When asked what difference the website had made to the agency, the 16 respondents described convenient access for potential consumers (n = 5) and greater agency

	Count	*%*
Up-to-date information for potential users	6	32
Community awareness	5	26
Access to services	4	21
Employee and/or volunteer recruitment	2	11
Staff communication	1	5
Other	1	5
Total	**19**	**100**

Table 79.2 Positive Aspects of Having a Website

SOURCE: Adapted from S. Taylor, "Technology Acceptance: Increasing New Technology Use by Applying the Right Messages," *Performance Improvement, 43*(2004), 21 23.

	Count	*%*
Updating site and maintaining site	8	42
None	4	21
Not enough staff to maintain site	3	16
Other	2	11
Security	1	5
Cost of equipment	1	5
Total	**19**	**100**

Table 79.3 Negative Aspects of Having a Website

SOURCE: Adapted from S. Taylor, "Technology Acceptance: Increasing New Technology Use by Applying the Right Messages," *Performance Improvement, 43*(2004), 21 23.

exposure (n = 4) as noticeable differences. This finding is consistent with the respondents' earlier stated purpose for having a website. Three agencies who reported having a website did not respond to this question. The respondents from these agencies may not have understood the question or did not possess enough information to respond adequately. When asked about what they would like to see in the future, agencies said they would like to see new or redesigned websites, the capacity and ability to keep websites updated, increased client and staff applications, and more agency information available on their sites in the future.

As this study illustrates, much of the early technology use was not always guided by strategic discussions about the best type of technology to use, the goal of its use, and methodology for measuring the effectiveness of this technology. The point here is that as organizations rush to have a presence on Facebook, Twitter, Linkedin, YouTube, Buzz, and other social networking sites, it is important to have defined goals and objectives and a clear understanding of the financial and staff resources necessary to fully use these new media.

Implications of the Digital Divide

While, clearly, Internet use and social media have the potential to reach broad audiences, it is also important for nonprofit leaders to understand which populations may not be online and may be in need of assistance to take advantage of social media and other technologies. For these populations, digital inclusion is not a luxury; rather, it is a necessity for equal and full participation in society.

The Pew Internet & American Life Project, a division of the Pew Research Center, is dedicated to examining the intersection of technology and our communities. As a part of this mission, the Pew Internet & American Life Project (n.d.) has produced over 150 research reports discussing the way technology is shaping our society. A recent Pew Internet & American Life Project report found 44% of Internet users logged on at least once a day. Further, information obtained through the Internet was used to assist in making important decisions for millions of users. The information sought for these major decisions included health information, career information, financial information, educational information, housing information, and consumer information for major purchases. With this new reality, it may be easy to overlook the current digital divide (Pew Internet & American Life Project, n.d.).

The term *digital divide* was first coined by researchers as a way to describe the spread of computer technology in this country and abroad. Over the years, the meaning of the digital divide has been reconceptualized based on changes in the capabilities and portability of ICTs and in response to widespread growth of technology use. The digital divide literature can be categorized into three distinct phases:

1. Access to hardware and software
2. Computer training and literacy skills
3. Social Inclusion

Access to Hardware and Software

Early discussions about the digital divide focused on the gap in computer ownership between wealthy and poor Americans. These early discussions led to the creation of programs designed to move computers into homes, schools, and communities. One common method for increasing exposure to technology was to focus on the introduction of computer systems in kindergarten through 12th-grade education. Some programs distributed laptops to elementary students and teachers. Grants were developed that assisted kindergarten through 12th-grade schools to become physically wired to the Internet as a means to ensure access to technology by children, especially those who otherwise could not afford such technology at home.

In response to the gap in computer ownership, some communities developed community access points, such as public libraries and community centers. According to Hick (2006), the focus on physical access to computers is a simplistic view of the digital divide. Further, Hick observed that computer use became a group activity among the teens in his study. This socializing in connection with computer use adds another dimension to the increasingly complex digital divide issue (Hick, 2006).

Computer Skills/Training

As efforts to distribute computer hardware underwent evaluation, the issue of how ICTs were and were not being used became a focal point of the literature. The digital divide was found to reach beyond the deployment of hardware to include computer-user skill level. The concept of computer self-efficacy (CSE), discussed earlier, became a prominent construct for the investigation into computer-users' or potential users' perception of their ability to use technology.

Similarly, Van Dijk, and Hacker (2003) describe the acquisition of "digital skills" as a significant element in the digital divide concept (p. 316). They define these skills as including the ability to operate the computer, search for information, select information, and use this information. According to Van Dijk and Hacker, computer-skill acquisition can be met only after there is, first, exposure to technology and, second, an opportunity to use technology. In other words, the acquisition of computer skills comes after the recognition of the importance of using the technology and then having physical access to the technology.

Social Inclusion

The latest departure from a focus on hardware and skill level of the computer user in the digital-divide literature has focused on the concept of *social inclusion*. Social inclusion, as it relates to the use of ICTs, refers to the ability of those lacking access to the Internet to participate in the functions of citizenship, access to resources, education, and digital networks through the use of ICTs. In other words, the replication and in some cases the expansion of life roles through the use of ICTs may widen the gap between those with access to digital resources and those without access to digital resources. In this way, access to technology is viewed as more than hardware, software, or skill level but as an essential function for full participation in society.

For example, Horrigan and Rainie (2006) found that nearly 60 million Internet users turned to the Internet for assistance with major life decisions. Additionally, Madden (2006), from a survey of Internet users, found that daily Internet use was associated with positive views of using the Internet to enhance the respondent's employment, seek health information, gain access to information on hobbies, and participate in online shopping. The significance of this trend is that without access to this digital information and participation in digital networks, vulnerable populations are at risk of further disenfranchisement.

Along this same line of theoretical exploration, Bakardjieva (2003) discusses the relationship between diversity and the social uses of ICTs in Canada. This qualitative review highlights the patterns of ICT use for Canadian immigrants and individuals with disabilities. According to Bakardjieva, social uses of the Internet for the immigrant populations consisted of connections with their communities of origin through web-based news outlets and/or participation in culturally similar web-based groups. Further, individuals living with various disabilities perceived the use of the Internet as useful for sharing their experiences and to receive support from people with similar life circumstances.

As our definition of the digital divide continues to evolve, there are important elements for nonprofit organizations to understand; from a direct service perspective, nonprofits should work to ensure that empowerment-oriented services include access to hardware, a provision for skill development, and opportunities for social inclusion. From a marketing perspective, nonprofits must consider the most appropriate medium to reach their target population. For example, to reach young African American professionals as a target audience, sites like blackamericaweb.com or Bebo.com offer better access than MySpace.com. Understanding who is online and where they are likely to be found online is a key strategy for using social media. Finally, nonprofits interested in creating their own social network through the use of social media should view this time as an excellent opportunity to contribute to the digital culture through the use of blogs, Twitter, Facebook, Buzz, and other social medium sites. With a clear strategy and proper resources, nonprofits are in a great position to shape and not just respond to the digital culture.

Technology Use: Policies and Procedures

While not always a popular topic, the exclusion of a section about online ethics would be a major oversight. The unprecedented access to information through the Internet has created a situation where information once private and difficult to obtain has become only a "click away." However, with this power comes responsibility, and often, nonprofits are on the front line of this battle. Members should understand that posting any information online creates the potential for this information to be used by someone else, for purposes not approved by the agency.

Understanding the role of the agency in the community and the mission and values of the agency can aid in the process of developing policies that lead to reasonable use of technology. For example, nonprofits serving populations that may be at risk should avoid the temptation of sharing client success stories online without an in-depth assessment of the risks and benefits of this action—understanding that unintended targets such as abusive partners or others may use the information in unintended ways.

In other situations, nonprofit staff should develop an awareness of the cultural implications of technology use. This means that actions online are not limited to North America or to reaching only individuals who speak English as their first language. Realizing that there are many interested parties for nonprofit communications who reside beyond our borders is an important step.

With regard to the internal operation of the nonprofit organization, it is important to develop and maintain policies that facilitate the safe use of technology for employees. In our digital world, it is often harder to maintain boundaries because of the influence of social media and social networking. Meanwhile, it is impossible to regulate who links to whom or who is a friend or not a friend. Understanding that cyber-bullying may impact the workplace in ways not anticipated is an important step. Further, understanding the implications for e-mail use between staff and consumers or defining who has access to electronic records and what level of access is appropriate become important policy decisions.

Some organizations limit access of employees to certain sites they deem undesirable or potentially disruptive to the workplace. The drawback of this philosophy is that it limits innovation and in turn limits the agencies' ability to respond to changes in ICTs. This is in contrast to theories of innovation. The challenge is to balance innovation at every level, while holding accountable individuals who violate agency policy. For example, some agencies have decided to purchase smart phones, phones designed to help managers communicate more efficiently with one another and their staff. Some of these purchases have not included the text-messaging feature because it is a medium not currently in use within some agencies. This decision may limit innovation in the way staff communicate with one another and does not provide the agency an opportunity to evaluate the effect of text messaging from a cost benefit perspective. The point here is that innovation may occur in areas unexpected; if innovation occurs only from the top down, then the speed at which change occurs may be slowed. To avoid these situations, some nonprofits have created policies that establish technology committees. These committees typically consist of IT professionals, staffers in the role of digital natives and/or innovators, and management team members. These committees can be instrumental in helping the agency maintain ethical operations, while allowing room for bottom-up innovation.

Future Directions

Technology use in the nonprofit sector will, like other areas of our society, continue to expand in the future. What nonprofit leaders can expect is increased sophistication in the type of technologies used and the desired outcomes of this technology use. One factor driving this increasingly focused approach to technology use is the attention nonprofit sector researchers are giving this issue. As early research efforts have focused on opportunities to incorporate technology use into the nonprofit sector, current research efforts have focused on what technologies are being used and the outcomes of this technology use. As the sector develops evidence-based practices for the use of technology, technology adoption decisions will become less controversial and resources will be directed to support this technology use.

A final trend that will continue to affect the nonprofit sector is the increasing use of mobile technology to deliver professional network communications, community messages (global and local), and internal communications. Managing the volume of information directed at the agency and the staff delivered in a format that promotes 24-hour-per-day access will likely be a struggle for nonprofit leaders. This emerging struggle may in fact give rise to new digital management tools designed to sort and prioritize information for delivery and consumption by nonprofit leaders and staff.

Summary

In this digital era, nonprofit leaders are faced with a multitude of decisions with regard to the amount, scope, and depth of their agencies' use of technology. Decisions such as the purchase of desktops versus netbooks or tablets require an organized strategy that is consistent with the mission and values of the organization. Conversations about technology use in nonprofit agencies should begin at the highest level of the organization with input and direction from the end users of the technology. Nonprofit leaders should be cognizant of the skills of staff members and their ability to incorporate technology into their current organizational role. This involves understanding the motivating factors that facilitate the intention to use technology. Additionally, nonprofit leaders should participate in the development of technology-use policies that facilitate ethical use of technology and reflect the diversity of the online community. Finally, defining this era will be the nonprofits' response to the digital divide within and external to the sector. Without attention to the significance of this divide and its impact on the mission of nonprofit organizations, the gains made through strategic community investments may quickly be reversed.

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PART VI

Leading a Grantmaking Foundation

80

Role of the Foundation Leader in Defining Grantmaking Areas of Interest and Strategy

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The pages that follow will examine the role of foundation leaders in setting priorities, defining areas of interest and establishing strategy for employing the foundation's assets in furtherance of its mission. This chapter will (1) set the historical context for the question, (2) discuss key definitional issues, (3) review recent scholarship regarding the roles foundations and their leaders play in society, (4) discuss the definitions of success for foundations as posited by various authors, and (5) survey theoretical considerations relevant to the roles of foundation leaders.

Setting Context: The History of Private Foundations and the Roles of Their Founders

Beginning in the early 20th century, several foundation leaders set forth in their own words the basis on which they defined their priorities and strategies. Critiques of foundation leadership and their strategies have been just as prevalent (and just as early—see Pritchett [1915] for an impassioned and well-reasoned defense against those critiques). The following brief detour into history will survey those founders, both directly and through other authors.

A cursory survey of early 20th-century foundations suggests that defining areas of interest and strategy have always been meaningful exercises. Andrew Carnegie (2002) frames his entire discussion in "The Gospel of Wealth" around exposition of the mechanisms by which an individual of wealth might best make use of Carnegie's advice to "build ladders on which the aspiring may rise" (p. 237). At the core of his work is his assertion that the wealthy should dispose of their wealth for the good of humanity while the person who generated the wealth is still alive. Carnegie did not manage to spend his entire fortune while he was alive. However, he expressed unqualified faith in his chosen trustees to continue to employ his fortune to fulfill his purposes.

As another example, John D. Rockefeller (2004) was abundantly clear about what he sought to accomplish. He noted that the best philanthropy is

> the investment of effort or time or money, carefully consid ered with relation to the power of employing people at a remunerative wage, to expand and develop the resources at hand, and to give opportunity, for progress and healthful labor where it did not exist before. (p. 684)

Rockefeller's philosophy of the foundation leader's role might best be captured by his assertion that "the only thing which is of lasting benefit to a man is that which he does for himself" (p. 686). To instrumentalize this vision of the best philanthropy, Rockefeller and his successors in philanthropy formed their own principles of grantmaking. These included the following:

- An emphasis on wholesale rather than retail philanthropy (making large grants to a few organizations rather than smaller grants to a larger number of organizations)
- A prohibition against ongoing operating support to organizations not under their direct control (like many foundations today, Rockefeller's foundations mostly funded programs and projects rather than the ongoing expenses of running an organization)
- A prohibition against what we today call restricted gifts (gifts that the organization may use only for a specific purpose prescribed by the grantor)

Excellent historical summaries discuss specific foundations and the foundation field in general. Authors such as Lindemann, Karl and Katz, and McCarthy and Wormser outline similar processes by which foundation leaders defined their areas of interest and strategy. As an example, F. Emerson Andrews (1956) notes that in Simon Guggenheim's initial letter of gift to create the John Simon Guggenheim Memorial Foundation, "a nice balance between direction and freedom is preserved" (p. 90). As an interesting contrast to such lauds, Vanderbilt (1989, pp. 139ff.) outlined a process whereby the Vanderbilt family failed to fulfill its strategy because of its desire to directly control all aspects of both its business and its philanthropy. Other authors have examined the history of community foundations and how they developed strategies and approaches specific to their unique missions of serving the needs of both donors and grantees in the context of a particular community. Foundation history thus provides substantial insight on foundation leaders and their priorities.

Definitional Issues

Before examining the question too much further, let us first define key terms.

Who Is a Foundation Leader?

The definition of a *foundation leader* differs by the type of foundation under discussion. Each type of foundation faces different considerations in terms of grantmaking priorities and strategies. Accordingly, each is potentially accountable to a specific set of leaders:

1. *Independent/family foundations—the role of the board.* Most foundations in the United States today are managed with few or no staff; the leadership of the board of directors in establishing areas of interest and defining strategy is therefore absolutely critical. This is particularly true when the founder of the organization still serves on the board. As the body that is ultimately accountable for everything that the foundation does, the leadership role of any foundation's board of directors (or trustees) is almost a given. The leadership of the board chair can be particularly important. Yet for independent or family foundations (with or without staff), the leadership of the board is even more critical throughout the life of the foundation. Robert Greenleaf in fact suggested that foundation trustees (or board members) are *the* most important leaders for independent foundations in terms of setting priorities and ensuring effective results. Gersick (2006) discusses the critical role of board members (particularly family members) as a family foundation evolves from board driven to staff driven. He pays particular attention to the role of the founder(s) and the importance of the early decisions those founders make. This highlights one central role of foundation leaders in defining both areas of interest and strategy: By establishing the foundation and its purposes, founders set priorities for its grantmaking for generations to come (if not forever).

2. *Independent/family foundations—the role of the staff.* As in any nonprofit organization, the board of directors has formal authority (and responsibility) for the approval of grants or other foundation actions. However, in those foundations that employ staff, those staff members play a key role in researching, reviewing, and recommending proposed grants to the board. As foundations in the aggregate have become more formalized and more concerned about accountability, professional staff has played an increasingly critical role in each of these areas.

3. *Corporate foundations.* Increasing professionalization in corporate foundations over the last 2 decades has also resulted in increased reliance on staff to carry out priorities, though the board still plays a critical role.

4. *Community foundations.* Community foundation leadership is both rooted and vested in the success of the community that the foundation serves. Accordingly, leadership can shift between board members and staff or between different board members, resulting in different priorities and strategies over time.

5. *Operating foundations.* Operating foundations often manage highly technical and complicated programs. Operating foundation boards may therefore often defer to staff to manage those programs. However, operating foundations also represent a viable option for a donor interested in hands-on philanthropy, so board members—particularly founding board members—may take a more aggressive role in setting priorities and defining strategies.

What Does a Foundation Leader Do?

Regardless of *who* the leaders are or what type of foundation they helm, each foundation leader must undertake a common set of activities with a more or less universal set of objectives and outcomes. Nason (1977) notes that "of the many advantages which foundations offer as a form of philanthropy by no means the least is the opportunity to develop carefully planned and coherent programs" (p. 13).

To establish and manage those programs, foundation leaders must, at a minimum,

- determine whether the foundation's existence will be perpetual or time limited,
- identify its area of interest,
- develop strategies with regard to addressing that area of interest,
- develop guidelines for grantmaking to advance those strategies,
- communicate its grantmaking guidelines to members of the public,
- review and approve or deny requests for grant funding,
- make disbursements to grantees and monitor the use of those funds, and
- manage the organization's assets so that it may continue to make grants.

A foundation that performs these functions might be effective. However, scholars have argued for decades about how best to define that effectiveness. One way to frame the debate revolves around the distinction in the literature between instrumental and expressive giving. Another way to frame the debate revolves around the roles foundations play (and have played) in a democratic society.

With regard to the first distinction, Frumkin (2006) distinguishes between "instrumental purposes, focused on accomplishing a set of defined social objectives . . . [and] expressive goals . . . that have little to do with concerns over the achievement of social outcomes and more to do with the feelings and experiences of the donor" (p. 61); Frumkin further notes the complications in fulfilling the donor's expressive values once the donor has died or disengaged from the organization. While several authors acknowledge this distinction between instrumental and expressive giving, they define it with slight but critical differences. For example, Fleishman (2007) notes that "instrumental giving seeks to achieve particular social aims, while expressive giving reflects a donor's desire to show support for a cause or an organization *without necessarily expecting to achieve a noticeable impact through the grant alone*" [italics added] (p. 47). Brest and Harvey (2008), in contrast, suggest that while expressive values can be used to establish a foundation's priorities, instrumental values must govern the implementation of those priorities.

The most immediate implication of this distinction revolves around potential problems that might arise as the donor's successors either (a) attempt but fail to fulfill the donor's intent, or (b) replace the donor's purposes with their own or with a mix between the donor's purposes and their own. When the family still maintains control over the foundation, the latter result may not necessarily be an unfavorable one. Arguably, the founding donor's family members are best suited to understand and enact the values that the original donor sought to fulfill through his or her giving. Still, the process by which leadership transitions occur (from founder to family or from family to unrelated board and staff members) remains somewhat underexamined. See Gersick (2006) for one in-depth analysis of this process based on case studies. More broadly, this transition highlights a critical (and yet to be definitively answered) set of questions: Is success for the foundation fulfillment of the donor's intent or impact on society? To the extent that every foundation must struggle with this question, who defines that success? Who is accountable if the foundation is unsuccessful? These questions represent a paradigmatic conceptualization of *agency*, which will be discussed further below.

With regard to Frumkin's question regarding the role of foundations in society, several authors offer discrete sets of roles that foundations might play vis-à-vis both their grantees and the larger society to fulfill their strategy. Fleishman (2007), for example, offers three conceptions. Foundations may embrace some or all of these roles from time to time:

1. *Driver.* According to this conception, foundation strategy revolves around "pursuing specific objectives according to a strategy they develop and whose implementation they guide" (pp. 44ff.). As an example of this approach, Bolda, Saucier, Maddox, Wetle, and Lowe (2006) discuss the role of the Robert Wood Johnson Foundation in capitalizing a new program to provide services for older adults. The emphasis of the program was on partnerships within each of the communities in which programs were established; however, key to the success of those partnerships was the original commitment and drive of the foundation in developing, implementing, and funding the initiative at the outset. Another example of foundations acting as drivers relates to the National Community Development Initiative/Living Cities, a multifoundation, multiyear, and multimillion-dollar comprehensive effort to rebuild neighborhoods in select communities throughout the United States. Through grants and other support since 1991, a range of national foundations have invested over \$600 million in the development of buildings and other physical assets to revitalize individual communities. The strategy involved in Living Cities relied on partnerships with local nonprofits that engaged in building homes, commercial space, and other community assets (Living Cities, Inc., 2009), but formation of that strategy arguably rested substantially in the hands of the foundations providing monetary support for the effort.

2. *Partner.* According to this conception of foundation roles, foundation strategy revolves around "shar[ing] control and accountability with the grant-receiving organization" (Fleishman, 2007, p. 9). Ostrander and Schervish (1990) suggest conceiving of philanthropic action as a circumstance in which "[d]onors and recipients are both constrained and facilitated by the structure of philanthropy in what they do and how they think . . . [while] . . . reinforcing or changing this structure" (p. 71). Fairfield and Wing (2008) further explore this conception of philanthropy as an ongoing relationship, noting that the power imbalance between funder and recipient render true partnership difficult

but not impossible, as long as the benefits of partnership accrue to each partner and the organizations have built substantial trust between each other.

3. *Catalyst.* Finally, foundations embrace the role of catalyst in the majority of cases, "which involves little active control [by the foundation] and little specific accountability for results on the part of the grantee. The foundations sow seeds and move on, sometimes assessing the consequences of their grants and sometimes not" (Fleishman, 2007, p. 9). Millesen, Strmiska, and Ahrendt (2007) discuss how one community foundation fulfilled this role by "facilitat[ing] a coordinated effort to transform community culture by promoting civic engagement and building social capital in ways that were intended to make the community more self-reliant and less dependent amidst an entrenched civic and economic structure" (p. 2). Other authors such as Hamilton, Parzen, and Brown (2004) note that "[s]ome community foundations are harnessing the power of information by creating new knowledge and introducing new ideas" (p. 5) to generate positive community change.

As organizations focus on the welfare of a particular place and the residents thereof, community foundations in particular must manage relationships with a range of *stake holders*, as further discussed below. Focusing specifically on community foundations, Graddy and Morgan (2006) offer three roles for these organizations:

1. *Donor services provider.* A community foundation that embraces this role "is primarily positioned to build gift funds by serving financial planners and donors. The mission of the foundation is centered on the donor" (pp. 607 608).
2. *Matchmaker.* Under this conception of the foundation's role, "the mission of the foundation is to match donor's interests with the needs of the community, and considerable attention is paid to developing and maintaining relationships with both constituencies" (p. 608).
3. *Community leader.* For a foundation embracing this role, "the mission of the foundation is centered on responding to, collaborating with, and leading efforts in the community to create policy changes that combat the most significant problems facing the region" (p. 609).

Of course, these are not the only roles that foundations play nor the only ways in which foundation leaders implement strategy or communicate their areas of interest. Alternative conceptions of foundation roles and strategies include the following:

- *Core operating support provider.* Cohen (2007) discusses how certain foundations are exercising leadership by offering unrestricted operating support to grantees rather than restricted grants for specific programs, allowing nonprofit organizations to focus on improving the core services they provide.
- *Responsible investor.* Stetson and Kramer (2008) discuss how foundations are increasingly seeking to align their investment portfolio with the mission of their organization, investing their endowments in companies that further that mission.
- *Drag anchor.* Dowie (2001) suggests that foundations act as drag anchors, "choosing . . . to slow forward motion in order to avoid some perceived obstacle" (p. xxvi).
- *Supporter.* McCarthy (2003) discusses how philanthropy has helped to build civil society over the years by supporting institutions devoted to similar goals.
- *Builder of social capital.* Social capital, according to Robert Putnam (2000), "refers to connections among individuals social networks and the norms of reciprocity and trustworthiness that arise from them" (p. 19). Easterling (2008) discusses how community foundations, which are both dedicated to and governed by members of the communities in which they operate, are particularly effective in reinforcing social capital, given their "deep and broad knowledge of community issues and community resources [and] . . . personal relationships with leaders from almost every sector of the community" (p. 48).
- *Supplementer of government action.* Sealander (1997) discusses several cases of foundation engagement in public policy work, such as the efforts of the Russell Sage Foundation and the Spelman Rockefeller Memorial, to reform the juvenile justice system in the early 20th century. With reasonably substantial resources but no accountability to voters, foundations can quietly but effectively engage in public policy work to supplement (or influence) government action. For example, Hoffman and Schwarz (2007) discuss foundation engagement with school districts to foster educational reform.

What Is Success in Fulfilling That Strategy?

Defining success is a key role of the foundation leader, both at the board and staff levels. The simplest (but by no means universally accepted) answer to this question is that success is the enactment of donor intent. The questions of what donor intent is and how best to enact it have received intensive and extensive scrutiny over the years. Frumkin (2006) discusses not only the importance of judicial mechanisms to preserve the implied covenant between the donor and his or her successors on the foundation board but also notes the importance of donor intent balanced against the obligations imposed by the nature of philanthropic funds as "public funds being held in trust for public purposes" (p. 315). Hamilton (2001) suggests that effective statements of donor intent offer a clear expression of the values the donor seeks to enact, a benchmark against which to evaluate the effectiveness of grants, and crucial guidance to help succeeding generations of trustees meld their own values with those of the founder. Importantly, he also notes that a statement of donor intent is "work in process, first for the donor, and then for succeeding generations as well" (p. 6). In fact, Hamilton suggests that donor intent is less critical than donor *legacy*, which represents the meshing of the founder's expressive values with those of succeeding generations in a way that honors both. Ylvisaker (1991) asserts that the drift away from donor intent can be corrected through conscious efforts on the part of trustees to pause and reflect on how their current grantmaking both meets current needs and fulfills the donor's legacy. While this represents an admirable aspiration for family philanthropy, the extent to which this approach is realistic is an open question. Wooster (2007) offers a range of examples from history of violations of donor intent (as well as paradigmatic cases of fulfilled donor intent); for example, he discusses the shift in focus away from the Detroit metropolitan area that led to the resignation of Henry Ford from the Ford Foundation board.

Sometimes, a donor actively *refuses* to articulate his intent. Consider John D. MacArthur's (J. D. & C. T. MacArthur Foundation, 1989) refusal to provide instructions as to the direction of the MacArthur Foundation's assets: "I know of a number of foundations where the donors tried to run them from their graves. I have guaranteed the trustees that when I am gone, they can run the show" (p. 12). Smith (2000) takes a very different tack from Hamilton within the context of a discussion of every foundation board's ethical obligations. Interpretation of donor intent, to him, is *the* sacred duty of a board, so future generations have no business blending their own values with the donor's intent. Taking the middle road, Nielsen (2000) cites the broad range of donor intent documents left for boards to interpret (or not) and illustrates the difficulties inherent therein. Fleishman (2007) suggests that donors should actively avoid specificity, suggesting that such specificity could be a sign of donor hubris. Interestingly, he qualifies this point in a later work, noting that donor guidance "provides focus for the grantmaking. Moreover, in many cases—not all—foundation donors bring to their philanthropy the same passion, vision and concentration on results that made them successful in business" (p. 220) Finally, Ostrower (2009) notes that foundations established with limited life spans and with whom the donor is no longer active tend to place a higher emphasis on fulfillment of donor intent as key to their definition of success. Renz and Wolcheck (2009) echo this assertion, noting that "having a living founder is one of the strongest determinants of the lifespan choice of family foundations" (p. 1).

Other common definitions of success include the following:

1. *Impact.* As one example, Lake and colleagues (2000) highlight the efforts of the Kellogg Foundation to shift to "*strategic change making* [Italics in original], [which] put a new emphasis on funding coordinated multisite efforts to solve systemic social problems" (p. 41). In their discussion of strategic philanthropy, Brest and Harvey (2008) assert that "effective grantmaking requires strategies based on clear goals, sound evidence, diligent care in selecting which organizations to fund, and provisions for assessing the results—good or bad" (p. xiii). Billiteri (2007) discusses how best to align the size of the foundation's endowment with the outcomes that the foundation seeks to produce, highlighting the importance of aligning available resources with the scope of one's efforts.

2. *Enactment of values.* Whitman (2009) suggests that a key aspect of success for foundations relates to their effectiveness in realizing "the specific social values that constitute a foundation's vision of a better world" (p. 305) In some respects, this is indistinguishable from the definition of impact (see above); however, while impact focuses on the external environment, enactment of values arguably focuses at least in part on the foundation itself.

3. *Stronger family relationships.* Gersick (2006) notes that success in grantmaking often leads to an impact not only on the organizations and causes about which the family cares but also on the family itself; a strong grantmaking program often reinforces relationships among family members who serve on the board of the foundation. This is another inward-looking definition of success that nonetheless requires some definition of external success. With regard to family foundations in particular, theories relating to family structure and dynamics are especially relevant. Family dynamics can have a strong effect on board functioning within family foundations. This can in turn affect both the processes and the effectiveness with which grants are made. Research by Wilhelm and colleagues (2008) suggests that parental individual giving has at least some influence on children's giving; if this also holds true for families engaged in foundation philanthropy, we might expect that parental behavior more generally, in addition to family dynamics, may influence the future grantmaking decisions of their children, particularly as the parents cede their governance responsibilities to future generations.

4. *Quality of partnerships.* One final definition of success relates to the quality of community partnerships fostered (and often led) by the foundation; this is particularly relevant to community foundation efforts, as noted by Millesen (2006): "Community foundation board members are committed to playing a leadership role in their communities, whether convening resources, facilitating collaboration, serving as a catalyst, or leading bold initiatives to make the community stronger and more vibrant" (p. 15).

All of these definitions of foundation strategy, foundation leadership, and the roles of foundation leaders in establishing grantmaking areas of interest and strategy are informed by a range of relevant theories, as first noted above:

1. *Agency theory.* The agency problem and its relation to nonprofit finance have received substantial attention in the literature. Key to the definition of the agency problem is the concept of information asymmetry. As Hansmann (1996) notes, "A firm often knows more than its customers about the quality of goods or services that it sells. . . . The firm then has an incentive to deliver a lower-quality

product than it promises" (p. 28). As a result of this information asymmetry between customer (or principal) and agent (or firm), boards and donors (acting as principals) seek to separate implementation of policy from command of resources. Fama and Jensen (1983) note that "a nonprofit is on stronger footing in the competition for survival when it has a decision system that separates the management (initiation and implementation) and control (ratification and monitoring) of important decisions" (p. 344). In part at least, the board of directors represents a mechanism whereby this may be done. Miller (2002) demonstrates that the board may serve to monitor action on behalf of donors and other stakeholders. However, she notes several ways in which board monitoring falls short. For example, she finds that individual board members tend to monitor aspects of the organization that reflect their specific area of expertise rather than those areas that might be most critical to the organization's welfare (p. 447). Within the context of the agency problem, Bebchuk and Fried (2003) discuss the limited ability of for-profit boards of directors to effectively design compensation schemes linked to the performance of the firm; this problem is only greater with a private foundation, for which the definition of success is very much open to debate (as noted above).

2. *Resource dependency theory.* Casciaro (2005) sets forth the main tenets of resource dependency theory: An organization reliant on the resources provided by another party (e.g., government or donors) is likely to adopt behaviors desired by that party. For example, government contracts require the fulfillment of specific conditions and compliance with a bureaucratic structure. Solicitation of ongoing private donations requires continued courtship of donors and a product mix that donors can support. Finally, sale of products or services to outside customers requires ongoing demand for those products. In this regard, resource dependency and agency theory converge: Nonprofit organizations must attract resources to survive and deliver their product, while donors and contractors cannot deliver desired services directly. As Casciaro notes, however, resource dependency theory suffers from a lack of clarity regarding whether the funder has power over or is interdependent with the recipient. Agency theory would arguably support the latter assertion since both the donor and the recipient need something from the other party other than control. In contrast, Froelich (1999) discusses from a resource dependency perspective how donors can skew an organization's activities away from its mission if the organization is unduly dependent on that donor. The challenge is to establish divergent predictions from these theories to determine what is more valuable in explaining behavior. Silver (2004) suggests that while resource dependency theory suggests a relationship in which the foundation has the gold and therefore makes the rules, those rules still function within a *relationship* between grantor and grantee in which each needs something from the other. Building on the work of Ostrander and Schervish regarding philanthropy as a social relation (as distinct from, among other things, a discrete transaction), Silver demonstrates that small community organizations, in particular, are able to influence the funding priorities of foundations and other grantors, suggesting that Casciaro is correct regarding the incomplete picture of the relationship painted by resource dependency theory.

3. *Stewardship theory.* A different perspective on the principal-agent relationship comes from stewardship theory, which posits that in fact, principals and agents can both be motivated by the same thing—success for the firm. Davis, Schoorman, and Donaldson (1997) note that stewardship theory suggests that organizational success is critical to the utility of the agent, who can be expected to work toward that success under conditions in which he or she is able to do so. Although the disagreement between stewardship theory and agency theory is based on the deepest assumptions about human behavior, at least some empirical work has provided support for predictions based on stewardship theory under certain conditions. Muth and Donaldson (1998) suggest that stewardship theory particularly holds when board members are strongly connected through formal and informal networks. This implies for our purposes here that—in line with network theory—foundation board and staff who are strongly connected will be more likely to act as effective stewards of agency resources than foundation board and staff with few such connections.

4. *Elitist theory and other theories centered around power.* Since Eduard Lindemann's seminal 1936 study of foundation priorities and grantmaking, foundation leaders have been characterized (if not critiqued) as the wealthy and elite within a society working to realize a specific social agenda that advances their own interests. This emphasis on foundations as an instrument of elite influence and power has continued to receive sustained attention. See, for example, works by Karl and Katz (1981) regarding foundation philanthropy intended to influence public policy and by Karl, regarding the role philanthropy plays in reinforcing social hierarchies within a democratic society. Jenkins (2006) makes a more specific assertion, noting that one conception of foundation philanthropy suggests that its purpose is to undercut potential political instability by providing support for more mainstream advocacy groups and thereby marginalizing more extreme voices. More recently, Delfin and Tang (2008) discuss how program-specific grants—given to an organization to support a specific program (often in specific ways)—represent an effort to use a grassroots infrastructure to advance an elitist agenda. Despite the long history of this controversy and the extensive attention it has received—see Arnove (1980) as another example of this line of reasoning—the questions raised in this regard continue to attract significant attention.

5. *Stakeholder theory*. Originally conceptualized by Freeman (1984) as a strategic framework for rethinking

the firm's optimal accountability structure, stakeholder theory advises firms to move beyond maximizing shareholder profit and consider a broader range of organizations and individuals that can help a firm improve its business performance. This includes customers and the community affected by the firm's decisions (Stieb, 2009, pp. 404–405). The question this raises is where to draw the line when identifying the community so affected. Balancing stakeholder interests according to the tenets of stakeholder theory has been demonstrated to become more difficult the more broadly one defines "stakeholders." Yet at least one study has demonstrated that with appropriate limitations to the definition of stakeholder, stakeholder theory yields some powerful predictions. Stakeholder theory is potentially highly relevant to the process whereby foundation leaders set strategic priorities and make grant decisions: How broad a circle of stakeholders should a foundation leader consult prior to establishing policy? How many and which actual and potential grantees should a foundation leader consult to solicit meaningful but non-self-interested feedback? How should a foundation leader balance stakeholder input with donor intent? These questions have been addressed in normative terms to some degree. Still, they warrant further empirical exploration of optimal approaches to defining and incorporating appropriate stakeholders into foundation decision-making processes.

Summary

People are complex and behave in a variety of ways to maximize their utility (or, in more direct terms, to be happy). Foundation giving represents a unique convergence of deeply held individual and shared values with the resources to enact those values in order to be happy. As Brest and Harvey (2008) note, however, resources and values—or in their terms, "money, [and] motivation"—are not enough (p. xiii). Also critical is "a winning strategy." The preceding pages have attempted to provide a broad overview of some of the ways in which foundation leaders establish their priorities and their strategy while highlighting a few of the theories that have proven useful in explaining and predicting how and why foundation leaders do what they do. While foundations have been exposed to intensive and extensive scrutiny over the years from policymakers, foundation insiders, scholars, and advocates much remains unexplored with regard to how foundations operate. The questions raised herein represent only the merest fraction of interesting issues with regard to foundation strategy and operation. Yet compelling answers to these questions may yield important insights into the fundamental nature of philanthropy and of the reasons that some individuals find greater happiness in giving their money away rather than spending it, saving it, or bequeathing it to their heirs.

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81

Role of the Foundation Leader in Listening to Nonprofit Organizations

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Some truths:

- Foundation leaders do not have all the answers.
- Foundation leaders do have access to resources and need to use them wisely.
- Foundation leaders do need to be leaders.
- Foundation leaders do need to care about their communities and the issues they are trying to address.
- Foundation leaders do need to be active listeners.

Charitable foundations have been in existence for more than 150 years (Orosz, 2007) in somewhat the same form found today. Organized philanthropy is an area that has remarkably little written about it. The behavior, norms, and framework of operation are just being codified and documented. Organizations like Grantmakers for Effective Organizations and the Center for Effective Philanthropy (CEP) are examples of organizations providing leadership in this area along with the various Centers for Philanthropy connected to universities around the United States. Two such leaders in this effort at Grand Valley State University's Johnson Center for Philanthropy are its director Kathryn Agard, EdD, and its Distinguished Professor of Philanthropic Studies, Joel Orosz, PhD. Dr. Orosz has written a number of books and articles relating to the operation and issues of foundations.

There is emerging pressure for foundations to demonstrate transparency in their operations and decision making. Legislative and regulatory forces are increasingly examining how foundations operate, how they are financed, and how they grant out the dollars entrusted to them. The role of listening is integral to the operation of *great foundations* that want to make a difference in their communities and in their various areas of focus. Listening is their lifeline, and many foundations understand that and are making positive impact on significant social issues. Those foundations that do not listen provide resources for major initiatives that go nowhere and do not address the key issues in a manner that is effective and sustainable.

Listening to the Nonprofit Sector

This chapter is being written at an interesting yet challenging time. There is a worldwide recession, growing unemployment, a declining economy, and a significant reduction in resources for businesses and for nonprofit organizations. Suffice it to say *everyone* is touched by these sobering conditions.

Now, more than ever before, the people who lead foundations need to *actively listen* and *actively lead*. Leading foundations is not a passive exercise and foundation leaders need to understand that they simply do not have all the answers. The problems experienced today and into the future are quite complicated, and leaders from all sectors of our communities cannot escape that reality. Long-term strategies are needed along with the realization that solutions are not going to be created easily. Further, sustainability in terms of lasting solutions and resources is sorely required.

It is essential for institutions, foundations, corporations, communities, and/or countries to galvanize leadership in ways that are effective in a complex and adaptive environment. Adaptive problems are those complex areas that have taken time to develop and for which there is no clear answer or solution (Heifetz, Kania, & Kramer, 2004). To be successful in resolving these types of issues, sustainable problem solving is essential. Further, no one leader or organization can or should do this alone if results are to be effective and enduring. The leadership needed requires collaborative approaches. Social problems are so very complex and intricate and take years to develop. Just think about poverty for a moment. Is that caused by any one thing? What are the root causes? How does one's point of view shape how one may address this problem?

The nonprofit sector of our society addresses a cross section of issues, causes, and ideas: from the arts to the environment to fulfilling spiritual needs to addressing basic needs to health care to every aspect of human existence. It is a sector that is often misunderstood as its focus is not to make a profit for their owners or investors akin to a for-profit venture but to make a positive impact in our communities and throughout our country. If there is a surplus of funds, it is generally used to address the purpose and mission of the nonprofit organization. Community leaders may think that the sector is not totally accountable, yet nothing could be further from the truth. Transparency in operations, finances, and impact is demanded by the public, and this sector does deliver results.

It is a time for philanthropic leaders, those persons who lead charitable foundations large and small, to reflect more deeply and actively use their collective intellectual capital to problem solve as the sector begins to contract in a time of economic insecurity. *This is the time* for foundation leaders to listen carefully. *This is the time* for foundation leadership to eschew the trappings of position and resources to delve into the knotty issues that are present today and likely will be for some time in the future.

Productive and positive relationships with all sectors are crucial for foundations, and this chapter will highlight the key reasons why this is so. An examination of the origins of charitable foundations will be discussed, in addition to a review of the importance of listening, assessing need and listening, adaptive leadership, the power struggle between foundations and the organizations approaching them for funding, the tangle of paperwork and process, evaluating the performance of foundations, and good grantmaking.

What Are Charitable Foundations?

Charitable foundations are still a mystery to many people who may have a difficult time describing them let alone understanding that there are *various types* of foundations. "The first modern grantmaking charitable foundation in the United States, The Peabody Education Fund, commenced operations in 1867. The pioneering multipurpose foundations arrived early in the twentieth century, with the establishment of the Carnegie Corporation of New York in 1911 and the Rockefeller Foundation in 1913. After World War II, foundation formation accelerated rapidly" (Orosz, 2007, pp. 20–21).

In 1914, the first community foundation was formed in Cleveland, Ohio, fulfilling the vision of Frederick H. Goff, a community leader who wanted to create a permanent pool of funds. "His vision was to pool the charitable resources of Cleveland's philanthropists, living and dead, into a single, great, and permanent endowment for the betterment of the city. Community leaders would then forever distribute the interest that the trust's resources would accrue to fund 'such charitable purposes as will best make for the mental, moral, and physical improvement of the inhabitants of Cleveland'" (Cleveland Foundation, 2009).

From that time on, communities across the United States started their own community *trusts*, and particularly after 1969, they flourished and are now found around the world from Great Britain to Germany to Japan to countries far and wide.

The distinction between community foundations and private foundations is important. On the most basic level, community foundations receive their support from a multiplicity of sources and generally focus their resources in a specific geographic area. Private foundations derive their support from one source—an individual, family, or corporation, and the causes supported are usually determined by the source of funding (Foundation Center, 2009). Simply put, the most basic difference between community foundations and private foundations is that community foundations need to raise funds while private foundations have received their support as noted above.

There are other types of foundations such as operating foundations and fundraising foundations connected to an institution like a hospital, university, or other nonprofit organization. The latter type generally does not grant funds to other organizations. Rather, they are raising money for the organization to which they are aligned or attached. Private and community foundations are often referred to as *grantmakers* and the organizations they may fund are referred to as *grant seekers*. It has been estimated that there are more than 71,000 grantmaking organizations in the United States (Foundation Center, 2007).

It is also quite likely that foundation staff and other leaders may not understand the roots of organized philanthropy and have not paid enough attention to the very core of what foundations are set in motion to do. As noted by Joel Orosz (2007), "It is a rare foundation employee, indeed, who knows even the most rudimentary facts about the field's rich heritage" (p. 141).

The Role of Listening

There are many skills and abilities that those leading or aspiring to lead foundations need to be successful and effective. Strong problem-solving skills, good understanding of complex systems, and in-depth content knowledge on a variety of issues are just *some* of the skills needed. Another key skill needed is the ability to actively listen.

Active listening requires that the focus is on the speaker, and it is a way to increase understanding on a point of view or topic. It does not suggest that the person listening necessarily agrees with the ideas being conveyed, but it does mean that knowledge and understanding is being sought. It necessitates that leaders listen closely and be able to repeat back what has been stated without showing a bias or an opinion. This helps the person being heard to open up and express themselves freely without fear of retribution or scorn for their ideas, knowledge, and thoughts. It requires patience and an openness that will promote effective communication. It also is a bond of trust that the speaker has with the listener that his or her ideas will not only be heard but also will be carefully considered.

The leader exercising the skill of active listening with an individual or group at the community level or beyond is fairly simple yet requires patience, for the primary goal is to understand an issue or problem. Keeping abreast of what is actually occurring in a broader area and the scope of issues facing a community is exceedingly important to the foundation leader. It is a way for leaders, if they are so inclined, to be responsive to what the community truly needs and means being in touch with and aware of key issues in communities. It is imperative for foundation leaders to *listen very carefully* with the intention of appreciating fully what is being said and again not necessarily agreeing with what is being said or promoted. Listening to the leaders of nonprofit organizations is extremely critical for a foundation that may be trying to address an issue that affects many nonprofits and people. "Foundation grants will profoundly affect a community of people, either directly or indirectly. These people should have a say in how such grants are planned and executed" (Orosz, 2007, p. 115).

But what about the environment in which foundations operate? Is it necessary to fully get the lay of the land prior to launching into funding? Absolutely! While research is crucial, listening to the voices in the community can provide much more than just statistics. Understanding the "environment" is essential when developing initiatives and programs. Their very success depends on the knowledge of the community and its needs.

The following is a scenario that demonstrates the role that a foundation can play in listening to the nonprofit sector:

> The room was quiet and the expressions on the faces of the nonprofit leaders reflected the tough times everyone was experiencing. The Foundation CEO had asked fourteen (14) leaders from area nonprofits to come to a meeting so every one could simply listen to the stories that were happening everyday. She asked them to spend two hours of their time to talk about the impact of the recession on their respective orga nizations. It was a time commitment but everyone was there to talk and listen. The comments were constructive and two themes emerged: the need for effective collaboration and the need for help from the funders in the area of advocacy.

The assumption prior to this listening session could have been that all nonprofits just needed funding. While funding is certainly the top priority, the meeting was held to listen and thus to recognize what other roles foundations could play in the tough times being experienced. Prior to this meeting, when the CEO had proposed holding this session, tremendous caution had been expressed by her staff. She knew, however, that a primary way to learn about the impact of the downturn of the economy—on a sector already overwhelmed and undercapitalized—was to listen.

In the invitation to the listening session, the CEO wrote:

> Some of you may not know me very well and others of you certainly do know me. I am one who seeks good and straight forward information and I am not in anyway suggesting any 'foot in the door' for future funding by asking you to this meeting. I just need to hear firsthand from you what is hap pening. I don't have any other meetings planned at this point and simply just want to have a decent discussion about how this recession is impacting your organization, the outlook, any predictions from your other funders governmental, private sources, the community and the like. (Grand Rapids Community Foundation, March 26, 2009)

From this point forward, this foundation leader's plans include crafting a way to call nonprofits together to determine any alignment of mission, programs, and services that could help to reduce overhead costs. She also is bringing her colleagues' foundations together to emphasize the need to advocate for resources beyond the private funding to address the critical social conditions being experienced in the community. Working with public policy officials can be made more compelling by drawing in governmental and other funding sources if the voices of the very sector serving the community can be front and center.

In the meeting summary notes, this foundation official noted the following:

> While funding is desperately needed by all organizations repre senting all facets of the nonprofit sector, these leaders acknowl edged that attention needs to be paid to immediate needs; the long term view is needed to assure that this community grows and prospers. We found that advocacy for public funding is needed and the Foundation community can be particularly helpful in this regard. The arts need not be pitted against human services and other immediate charitable needs in the community. The sustain ability of effective organizations is critical. (Sieger, 2009)

The journey during difficult economic times—and ultimately determining the foundation's role—should be informed by many voices that will be crucial in designing how to move forward. Listening to the nonprofit sector at this time is critical. However, regardless of the economic and social conditions present in the environment, listening is always paramount.

Assessing Need and Listening

There are a variety of ways to collect information regarding issues and areas of focus, or test the temperature of various sectors. All involve listening. Conducting academic research is one way that many foundations search for information to inform decisions and direction. *One critical activity often missing as a foundation scans the landscape* is seeking out information regarding the existing programs that address issues or problems and finding out how effective these efforts are in addressing particular areas of focus. In other words, what is already in existence, and are the programs effective? Financially supporting or developing programs that duplicate existing programs occurs more than it should in some communities. Incomplete information gathering and listening through the lens of "we know what this community needs" create difficult situations and the results are mixed at best.

There are examples of large national foundations that concentrate their attention on particular issue areas. Often, these foundations have carefully crafted a "point of view" by conducting research, hiring content experts, and oftentimes providing planning grants to nonprofits, which may include community foundations. The results of the planning grants may inform the future direction of the theory that the national foundation may have formed for their focus.

When foundations zero in on communities, local nonprofit leaders are influenced by the lure of working with a national or international foundation because of the promise of funding and connection to prestige, which *may or may not* bring greater rewards as time goes on in terms of funding and influence. Certainly, the resources that a large foundation may bring to a community should not be discounted. The very presence of a well-known national foundation can launch effective programs that will provide positive change and be the tipping point in improving the health and welfare of a particular area. The prestige and credibility of the foundation can validate the importance of the issue being addressed.

The successful efforts usually follow a pattern though. When a foundation listens to all voices, seeking to comprehend the culture of a community, this culture once understood can provide the context needed when examining statistics and data. Part of this is discovering what is working already in the community and being aware of efforts that may not provide the results necessary to make a positive, measurable impact.

Another way that the larger private foundations seek out information is through their relationships with one another. There have been occasions when foundations joined together on an issue area and then proceeded with funding and programmatic expertise to zero in on an issue area. There are many examples of these partnerships between and among various foundations. Many times, the power struggle between all parties is also apparent. A good agreement leading to the partnership can assist with any issues occurring between the foundations.

National Example

An example of a successful though short-lived collaboration involves the Charles Stewart Mott Foundation, in concert with the King Baudouin Foundation in Belgium and the German Marshall Fund based in Washington, D.C. A transatlantic fellowship exchange program was initiated in 2000 by these three organizations. This endeavor provided support for five community foundation leaders from the United States to travel to European countries to help develop foundations in those areas each year this program was in operation. Likewise, five European community foundation leaders came to the United States to understand more completely how philanthropy is organized and carried out in this country. It was a successful program but unfortunately ceased operation in 2006 as other priorities were identified by the three funders. However, this effort does provide an example of larger foundations working together to provide resources to carry out good ideas. Many foundations have banded together to address issues such as the environment, the AIDS epidemic, poverty, child abuse and neglect, and much more.

Two Community Level Examples

Meeting Essential Needs

The foundations in the greater Grand Rapids, Michigan, area banded together in 2009 to pool their resources to address the growing immediate needs experienced by individuals and families in the community due to the economic crisis that grips the country and spans the globe. Buffeted by the horrific economic upheaval affecting nearly everyone globally and turning to our own community, charitable foundations are working together as they have in previous situations: creating a pool of funds to help finance organizations that are on the frontline serving people most in need. Listening to all the funders of nonprofit organizations led to the elimination of cumbersome application processes. Further, the decision about where the money is or will be granted rests with the committee of another collaborative effort that has been in existence since 1982. The committee is known as the Essential Needs Task Force (ENTF). The operation of the ENTF these many years has been supported by the Heart of West Michigan United Way, Kent County, and the Kent County Department of Human Services.

So in essence, it is one *collaborative effort* working with another *collaborative effort* trying to respond in a more effective manner. The collaborative funding effort is working hand in hand with the ENTF partnership that has the knowledge and expertise to respond to the many immediate emergency crisis situations that people are facing. This is a tremendous response!

The foundations are leaning on the knowledge of a group of nonprofit and public sector leaders. The funding decisions are turned over to the ENTF leadership team. The group of foundations realized that no one funder or organization can own this issue and address it well and it takes a "community" of funders and service providers to work together. It is simply taking action when it is needed the most.

The Grantmakers for Effective Organizations (2008) noted in its publication *Is Grantmaking Getting Smarter?* that delegating funding decisions "to representatives of recipient communities or grantees" constitutes only 14% of all responses from grantmakers across the country (p. 7). The effort noted above certainly is unique and does demonstrate deeply rooted trust and acknowledgment on the part of foundations in the key organizations focusing on immediate needs.

Arts Organizations Addressing Economic Development

Another example that illustrates how foundations need to be flexible (particularly during difficult economic times) is an effort that is attempting to elevate the importance of the arts in the Grand Rapids, Michigan, area. Besides addressing people's immediate needs and the goal of eliminating homelessness, there is the long-term goal of attracting talent to the community. The integral role that art and public museums, performing arts, theater, and all artistic activities play in terms of the economic development of a community needs to be highlighted.

When the economy of Michigan started to falter in 2001, escalating to an unprecedented level, the goals of the state began to focus on retaining and attracting talent, retraining, and quality education. Many leaders pointed to the role of the arts in attracting people to a community.

It was in this spirit that the foundations called the art organizations together to determine how to effectively promote their importance to the community as well as address the severe financial conditions under which these groups operate. At this juncture, a major marketing effort is underway to elevate the importance of the arts during these trying times to help keep the community vibrant and growing; it is financed by the foundations. Further, plans are being made to determine how the cultural organizations can coordinate some of their activities to streamline operations and reduce the operational expenditures that if not addressed may cause them to close their doors.

Active listening on the part of the foundation leaders will possibly result in the development of effective solutions and ideas. Tearing down the walls between nonprofit leaders and foundation leaders is absolutely essential if communities are going to thrive and grow.

Power Differential Between Foundations and Nonprofit Organizations

As implied in the previous section, a power differential exists between foundations and those nonprofit organizations seeking their funding support. To not acknowledge that would be a sin of omission. The personal bias of this author is that using this *power* to only enhance the very position of the foundation staff or board leader is wrong. In many cases, the money of a foundation may not have originated from the staff or the board. It may simply not be "their" money, and it is their role to effectively use those funds for the betterment of society. However, power is *good* if used effectively in coordination with others to address key issues. The power of influence and persuasion in developing consensus can lead to crafting a positive result. Misusing this power can only prove harmful and can spiral dangerously out of control.

Joel Orosz referred to the long-time president of the Carnegie Corporation, Alan Pifer, in his book *Effective Foundation Management*. "Pifer pulled no punches in his essay 'Speaking Out,' taking his former foundation field colleagues to task for their arrogance, discourtesy, and timidity" (Orosz, 2007, p. 144). In Alan Pifer's words, as quoted in Dr. Orosz's aforementioned book,

> Above all other aspects of foundation work, I would put the human factor. I mean by this the attitudes and behavior of foundation staff members. If they are arrant, self important, dogmatic, conscious of power and status, or filled with a sense of their omniscience traits which the stewardship of money tends to bring out in people the foundation they serve cannot be a good one. If, on the other hand, they have a genuine humility, are conscious of their own limitations, are aware that money does not confer wisdom, are human, intel lectually alive and curious people, . . . the foundation they serve will probably be a good one. In short, the human quali ties of its staff may in the end be far more important to what a foundation accomplishes than any other considerations. (Orosz, 2007, p. 144)

Lest community foundations are given a pass, sometimes these *place based* organizations operate in ways that suggest that they may "know it all" as well. A few years ago, the Community Foundation led by this author wanted to play a more proactive role in the area instead of simply reacting to proposals from area nonprofit organizations. The shift proposed was to focus in predetermined key issue areas and then allocate funding to the community through a request for proposal process. The responsive grantmaking percentage was going to shift to a smaller amount thereby increasing the influence of this foundation's "point of view" on the community and making more resources available to support those viewpoints.

The foundation's board of trustees had a decidedly different opinion! This does note the important role that governance also plays on the operation and the many roles of a charitable foundation. After a lengthy presentation by staff, a robust board discussion ensued with the conclusion that "arrogance" does not trump listening to the good and bad ideas of the nonprofit sector.

The staff and trustees agreed ultimately that responding to the views of the organizations seeking funds was critical and that while the foundation staff was knowledgeable and intelligent, their lenses needed to be more open to all views. This is an important point and one that this foundation continues to value. In fact, while exercising effective and positive community leadership in many areas, listening is seen as a crucial element of the leadership role.

In a report by the Grantmakers for Effective Organizations (2006), a highlighted quote rings so true: “There is a need for a safe space for a dynamic relationship so that grantees are not punished for giving feedback to a funder” (p. 5).

Stewardship

All charitable foundations do play a critical role in being a steward of charitable funds. That means that due diligence must come into play when reviewing requests from nonprofit organizations. While listening has been emphasized as being important, foundations must carefully assess a nonprofit organization’s ability to provide the services they purport to deliver, that they are charitable organizations as determined by the Internal Revenue Service, and that their internal operational structures are sound. However, once there are assurances that the funding is directed to programs operated by bona fide nonprofit organizations and that there is a plan on how the money is to be used and accountability is set in motion, listening becomes crucial.

A Word on Adaptive Leadership

In addition to their positive use of power, the most effective foundations are those that work in concert and collaboration with other funders, public entities, nonprofit organizations, and the business sector. This type of leadership brings “listening” to a new level. It means listening for understanding and listening to all viewpoints. Bringing people and organizations together to find solutions to long-term problems is essential and that involves listening.

One of the strategies the Grand Rapids Community Foundation employs is to further this foundation’s leadership and that of others in our community to embrace the fact that today’s complex problems require intense attention and may result in “messy” work in seeking out ways to address issues. Today’s challenges demand and deserve quality bold leadership. Community partners and leaders are needed who understand adaptive leadership and who have the resolve to stay on task in spite of the dangers that Heifetz and Linsky (2002) describe in *Leadership on the Line, Staying Alive Through the Dangers of Leading*. “Adaptive change stimulates resistance because it challenges people’s habits, beliefs, and values” (pp. 30–31).

Foundation leaders, through active listening and bold action, understand that the very nature of social problems require long-term strategies and patience. Certainly, finding a cure for cancer has taken decades, and it is no surprise that community problems require a similar long time horizon to address. The concept of adaptive leadership was discussed in Heifetz and Linsky’s book (2002), and as noted earlier in this chapter, adaptive problems are those complex areas that have taken time to develop and for which there is no clear answer or solution. To be effective in resolving these types of issues, sustainable problem solving is essential. Further, no one leader or organization can or should do this alone if results are to be effective and ongoing.

If foundations are to do the “good works” in addressing society’s problems, then listening is essential along with the fortitude to take action when the time is right. Effective community leadership takes patience, research, time, and tenacity. Many times, the desire arises for swift solutions to problems that have taken years to grow increasingly severe. If the problem is clearly understood and all parties are heard, there is a better chance that sustainable solutions will emerge.

Tangle of Paperwork and Process

Ask any nonprofit staff member what her or his biggest complaint is when approaching a charitable foundation regardless of type, and the answer is immediate and includes

- too much paperwork,
- questions that do not relate to the proposal,
- extensive explanation for proposals that are requesting minimal funding, and
- long response time to the point that the proposal is no longer timely.

The Grants Managers Network noted in its report, “Drowning in Paperwork, Distracted From Purpose,” that there are four traits that generally foundations reflect. The first three are *the mystery foundation* where the expectations and priorities are difficult to interpret, the *fickle authority* when the foundation changes direction unpredictably, and the *thinking partner* where the foundation seeks relationships with nonprofits and works with them to develop their proposals and programs (Bearman, 2008, p. 11). The latter can backfire though if the foundation changes focus and potentially drops the nonprofit from funding consideration. The fourth and most desired trait is the *neutral supporter*.

This trait is the most desired in terms of time and effort: Grant seekers appreciate the philosophy of the *neutral sup porter*, which sees its role as providing funding and *getting out of the way*. “Nonprofits commented that these funders tend to have clear guidelines, often with a pre-proposal screening process, which make efficient use of the grantseeker’s time” (Bearman, 2008, p 11).

The findings from the study that resulted in the Grants Managers Network report are illuminating and should become the core of every foundation’s orientation program and refresher training for their staff and board members. From the 10 most important findings, 4 key principles and practices were recommended:

1. *Begin from zero.* Begin with a rigorous assessment of what kind of information is really needed to make grantmaking decisions. Separate basic due diligence requirements from program assessment and treat them differently.

2. *Right size grant expectations.* Develop a streamlined application and reporting form for small grants, ensure that reporting requirements are congruent with the grant, and store appropriate grantee information so that repeat grantees can provide updates without resubmitting.

3. *Relieve the burden on grantees.* Take advantage of technology, including accepting applications and reports electronically; use reliable sources to verify nonprofit status; when possible, use common applications and reports.

4. *Make communications and grantmaking processes clear and straightforward.* Seek feedback from grantees and applicants; communicate clearly and regularly with grantees (Bearman, 2008).

In a perfect world, certainly the funding relationship between nonprofit organizations and foundations would be responsive and supportive, and listening would occur in both directions. However, there is a factor that many times nonprofit organizations *do not* take into account: the need to *listen* to the very foundation that is being approached for funding. One way of addressing this is by hosting grant workshops that can be done on-site through webinars or other means that encourage interaction with the nonprofit organizations. These sessions may cover grant guidelines and the application process plus general tips for grantwriting. This type of session could provide some useful suggestions for the foundation as well in terms of ease of the application process, understanding the concerns of the nonprofit, and getting a clearer picture of how organizations may collaborate if the opportunity presents itself.

The following is an excerpted blog entry written by this author on the Grand Rapids Community Foundation website (http://www.grfoundation.org/blog/02132009structu.php, February 13, 2009) that relates to urging the applying organization to listen to foundations as well:

> I have been writing quite a bit lately about the topic "Listening to Nonprofits." First of all, there are many levels to what seems to be a fairly straightforward topic. We do listen to nonprofits as they are on the frontline of community needs and services in any community.
>
> A foundation that does not listen to nonprofits will not be effective. What is a tough situation, particularly for a community foundation, is when a nonprofit leader contacts me or one of our Program staff requesting a meeting. Now on the face of it, this may seem reasonable *and it is.* However, we do need to be fair and consistent with everyone and we have found that meeting with everyone first is neither efficient nor effective. Other foundations do want nonprofits to meet with them first and then develop a proposal based on the good advice they convey, and many times after *too many* meetings a decision is rendered. I have an actual example that was relayed to me a year ago by a prominent nonprofit leader in the San Francisco Bay Area who was strung along meeting after meeting over a period of a year with a foundation only to be told that they were not going to be considered. That is a travesty.
>
> What we have developed over years of experience is a way to make sure that when meeting with our nonprofit partners, that the conversation is specific to what the organization needs to address and what funding may be needed. Our pre application process guides that conversation.
>
> Often the phone calls I receive follow this example:
>
> I just want to meet with you along with (insert volunteer name here) to review how we are doing and pick your brain about what is happening in Grand Rapids and area foundations. We also may want to touch on possible support from the Grand Rapids Community Foundation. I know you'll want to meet with (insert volunteer name here) also because they have always been supportive of the GRCF.
>
> I generally play the voicemail over again to make sure I heard it correctly and yes this does occur quite a bit. Now I understand that people do want to meet with the "President" I got that I understand. I am not opposed to be open to talk, listen and strategize. I know that when I receive these calls that it ends up with "so we need your support" which is fine which is why we are in business! But there is a more effective and less time consuming route to take.
>
> I cannot stress enough that it is so much better to be forth right about seeking funds. In fact, I venture to say that request ing a "we just want to meet with you to get the lay of the land" session goes the way of needing funding 100% of the time. It just delays the action needed by the applying nonprofit.
>
> In these horrific economic times, organizations want a lifeline a ray of hope and oftentimes that means financial support. That is why calls to us have been increasing and we do talk to many people on the phone making inquiries. We guide them to our web site to the place where we have clear instructions on how to apply for funds. This helps so we can review the information, possibly organize a meeting which aids the applying organization structure the conversation to say "this is what we need and why" and for us to give guidance as to next steps and ideas that may or may not involve funding.
>
> Asking for a meeting upfront and not checking our web site delays the process by a few weeks. We are accessible responsive and empathetic! We can serve nonprofits much faster and better if our guidelines are followed.
>
> Listening to nonprofits? You bet! Having interested orga nizations listen to us too? It helps! We understand the dire cir cumstances that all organizations and people are facing and we are trying our best to reach out to our community. Thanks for "listening" to me!

The Feedback Loop

In recent years, many foundations are trying to evaluate the relationship they have with nonprofits that may or may not have received a grant. Why would foundations do this? Because it is absolutely essential to understand how a major stakeholder may view the operations of a foundation so that improvements can be made, successful practices can be reinforced, and leadership can be strengthened. The nonprofit sector is a large stakeholder for every charitable foundation.

The CEP has created a widely used assessment tool called "the Grantee Perception Report ® (GPR), which provides foundations comparative data on grantee perceptions of key elements of foundation performance" (http://www.effectivephilanthropy.org). The CEP is a nonprofit organization focused on the development of comparative data to enable higher-performing funders. CEP's mission is to provide data and create insight so philanthropic funders can better define, assess, and improve their effectiveness and impact.

The results of this evaluation have helped shape and reshape many foundations' operations and processes relating to the nonprofit sector. The foundation that this author leads has gone through the process of the Grantee Perception assessment twice, and the results have helped in the restructuring of our grant process leading to a more streamlined online application that has reduced the time necessary for the organization applying for funding. A summary of the survey results are on the foundation's website and other foundations have done this as well.

Also, the thought process of the foundation's leader has become more transparent through leading to a blog that has been on the website since January 2006 as well as hosting roundtable sessions with nonprofits on key topic areas and ensuring that trustees and volunteers are integral to the decision-making process for funding. This level of transparency and honesty is highly valued in the nonprofit community and does lead to stronger relationships and ultimately stronger partnerships to resolve knotty issues and problems.

Many times, foundations may use this feedback information to help reshape their grantmaking practices, for example, how they communicate with the nonprofit sector and how much information is needed to make a grant decision. As noted in the report, *Is Grantmaking Getting Smarter?* seeking the perspective of nonprofits is essential for effective grantmaking, "but most grantmakers are slow to adopt this way of working" (Grantmakers for Effective Organizations, 2008, p. 6.). As foundations mature and become more attuned to the needs of the nonprofit sector and the communities that they serve, it is advantageous to lean toward becoming a "learning organization" assessing its results and striving to improve its processes, its programs, and ultimately increasing its impact.

Unique Opportunity

An opportunity presented itself in the early 1990s for Michigan's community foundations that has led to the proliferation throughout the state of committees of primarily high school students making grants, assessing needs, and learning and becoming aware of the many facets of organized philanthropy. Through the generous support and guidance of the W. K. Kellogg Foundation based in Battle Creek, Michigan, community foundations grew their endowments while developing future philanthropists. The Council of Michigan Foundations, acting on behalf the community foundations, wrote a comprehensive plan and proposal to the Kellogg Foundation securing millions of matching fund dollars for community philanthropy.

Nearly 20 years later, most community foundations operate what is commonly known as Youth Advisory Committees (YACs), and these groups use the income earned off the endowments created from the Kellogg grant to replicate the grantmaking process of the host foundation. Teaching young people this skill and craft highlights the basic need to listen to the nonprofit organizations seeking the grants from the YAC. Assessing the needs in the community, understanding what is foremost on the minds of young people, and bringing it together making effective grants are all key activities of these teams. The host foundation is reminded of the importance of being in attunement with the nonprofit sector as the grantmaking process unfolds, and the students are taught how to make good decisions.

The Grand Rapids Community Foundation attracts members to their YAC by promoting the following:

- Participating in a real life leadership experience in which decisions are made that do have real impact
- Learning about the needs of youth in the community by conducting a survey every 2 years
- Understanding the role of nonprofit organizations in the community by reviewing grant requests
- Gaining decision making skills and learning how to work as part of a diverse group
- Appreciating the value of service to the community
- Making many new friends who attend different schools and have different backgrounds

The experience for many young people is invaluable, and increasingly, many are making plans to pursue higher education opportunities that will educate them for roles in the philanthropic sector. This is seen as an effective way to introduce future leaders to the role of working with the community to address issues and help create new solutions.

Summary

Charitable foundations need to listen and partner with other organizations, institutions, and for-profit businesses. No longer can foundations "go it alone" as they pursue solutions to society's difficult problems. As the leaders of Grantmakers for Effective Organizations (2008) noted in their report titled *Is Grantmaking Getting Smarter?* "Despite efforts in some foundations to shift to more nonprofit-friendly practices, a pronounced disconnect remains between the ways in which grantmakers are supporting nonprofits and what nonprofits say could contribute most to their success" (p. 6). Listening is one way the disconnection can be eliminated.

In this chapter, the following areas were covered: the importance of relationships with the nonprofit sector, an introduction to the history of charitable foundations, the role of listening, the critical activity of assessing need, the inherent power struggle between the charitable foundation and the nonprofit organization, a brief examination of the notion of adaptive leadership, the sometimes difficult task of moving through the paperwork and application process of foundations, how foundations learn through feedback, and the opportunity to teach young philanthropists how to involve the nonprofit sector in their decision making.

Listening is critically important to the successful foundation and its partnerships with many stakeholders in communities, throughout regions, and indeed the country. A person seeking a career in the philanthropic sector, generally referring to charitable foundations of any kind, will enjoy the experience of dealing with critical issues, affecting policy while making good grant decisions. There are many opportunities, and it is a field that needs resourceful people with good analytical skills, exceptional listening skills, and an ability to effectively solve problems.

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EVALUATION, ACCOUNTABILITY, AND IMPACT OF FOUNDATIONS

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Foundations play a major role within the nonprofit philanthropic sector and the broader fabric of U.S. society, and this is accompanied by substantial interest in their practices and impacts. Numbering more than 70,000 in the United States, the population of grantmaking foundations grew by nearly three times over the 25-year period from 1981 to 2006 (Foundation Center, 2008). Foundations have dramatically increased their use of evaluation over this period for assessing their internal practices as well as the impact of their grantmaking. Just as individual nonprofits have been required to demonstrate greater accountability for their outcomes, so too have foundations worked to address the basic notion of their own effectiveness and impact in the community. This chapter introduces the concept of foundation evaluation, discusses the variation in its interpretation, and reviews the main approaches to demonstrating the impact of foundations. This topic is of substantial importance because of the vital role that foundations play in society, in providing leadership and funding for the advancement of societal well-being. The accountability of this subsector has implications for its influence in the future and its successful contribution to the betterment of social conditions.

Outcomes Measurement in the Nonprofit Sector

Over the last several decades, there has been an evolutionary change in views of accountability within the nonprofit sector. A previous focus on the type and quantity of services provided, charitable works deemed inherently good, slowly gave way to the assessment of outcomes and the view that donations are like investments. In the mid-1990s, the movement solidified around efforts by national voluntary organizations convened by the United Way of America to adopt a framework for outcomes across the sector (Fischer, 2001). Since that time, it has become common practice for nonprofits to develop program logic models, which clearly spell out the key program activities and how the program activities relate to outputs and outcomes of interest and how nonprofits collect basic outcome data on their services.

This greater need for explicit accountability was echoed by leaders within the nonprofit sector. In a statement to the U.S. Senate Finance Committee in 2005, Brian Gallagher, CEO of the United Way of America, remarked, “Financial accountability is just table stakes. You have to get that right first. But ultimately, the American public should hold our sector accountable for delivering on our missions. . . . To address that concern, I respectfully suggest that nonprofit organizations be asked to report concrete results annually that are tied directly to their missions, not just the level of activity” (Testimony section, p. 3). This view of nonprofit accountability became the predominant position, resulting in wide use of outcome-based funding and reporting requirements by foundation and governmental funders. Over time, questions have been raised about the use of the data produced from these approaches and whether the data are useful to donors (Snibbe, 2006). Some work suggests that high level individual donors may place less value on outcome information produced by nonprofits due to a lack of interest and time and to concerns about the data (Cunningham & Ricks, 2004). At the same time, small donors have been found to be enthusiastic about the nonprofit organizations they give to and the charitable sector in general (Arumi, Wooden, & Johnson, 2005). As such, the use of outcomes in nonprofit accountability approaches is now firmly in place within the sector, and the debate is more about how and when to apply such approaches not whether to apply them.

Following on the heels of a broad expansion of outcomes measurement among nonprofit grantee organizations, it made sense that foundations would begin to look at their own operations in the same vein. On the one hand, more progressive foundations began to see it as a matter of fairness, subjecting grantees to an outcomes approach when they themselves were exempted. Other foundations adopted the practice out of a belief in the knowledge-building potential of evaluation and a sense that they could improve the work of the foundation. As a practical matter, after some period of time advising, persuading, and compelling grantees in the use of such practices, some foundations saw that they now had sufficient capacity to apply these tactics to their operations and that the work of their grantees could feed nicely into the foundation's view of its own impact.

Since the beginning of the new century, there has been increased scrutiny of foundations particularly from the federal government. The U.S. Congress's passage of the Sarbanes-Oxley Act of 2002 included provisions that increased financial reporting requirements for corporations and nonprofits, including foundations and congressional committees, have expressed interest in exploring the tax-exempt status of foundations and such matters as the proportion of their endowments that they translate into grants each year. Further, implementation of the new Form 990 in 2008 by the Internal Revenue Service, resulted in greater requirements and detail on nonprofits' operations, governance, and compensation practices. This heightened scrutiny speaks partly to the public's understanding of the work of foundations and perceptions about the transparency of their operations. The foundation impact movement, therefore, can be seen as assisting foundations in demonstrating and communicating their work as grantmaking entities within the nonprofit sector.

Foundation Evaluation

The notion of evaluating foundations as to their impact and for the purposes of accountability has been conceived of across numerous domains and organized under a variety of frameworks. One particularly useful framework was offered by the James Irvine Foundation (2005), distinguishing between foundation evaluation focused on program impact and evaluation focused on institutional effectiveness. Program impact is derived mainly from the foundation's direct grantmaking activities, whereas institutional effectiveness relates principally to the foundation's organizational operations, its efficiency, and its relationship with a range of stakeholders. These two dimensions will now be discussed in more detail.

Program Impact

The concept of impact within the evaluation literature has numerous interpretations. However, at its core, impact refers to an influence or effect on an intended target. In the foundation context, there are several aspects associated with this type of impact. Figure 82.1 depicts two hypothesized avenues to foundation impacts. First, this approach would include examination of the type and characteristics of grants that the foundation has made. To the extent that funding

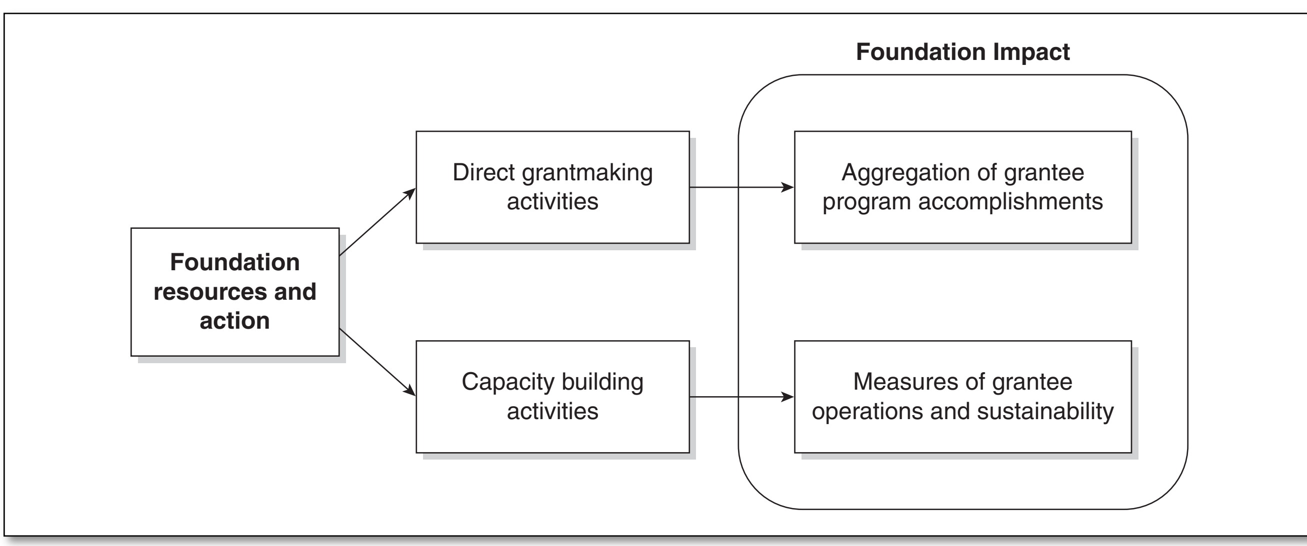

Figure 82.1 Avenues to Foundation Impact

changes the operations of grantees, the individual grants themselves indicate a foundation impact in some sense. Here, impact can be construed as the accomplishments of the grants that were made by the foundation. So, the fact that grant awards resulted in the delivery of services, which in turn brought about changes in the target population, suggests something about a foundation's impact.

Second, impacts may be seen as resulting from a foundation's efforts to promote capacity development within grantees and the grantee community. These impacts could be seen in measures of organizational vitality and efficiency among grantees. Another aspect of impact can also relate to the knowledge accrued through the foundation's work. James Irvine Foundation (2005) refers to this as "(r)esults, learning, and program refinement," and this speaks to the collective impact of a foundation's investments in programs and organizations. These sorts of impacts offer the most generalizable findings, those which can be transferred to application in the experiences of other foundations and in other settings and contexts. In addition, these impacts are often fed back into a foundation's learning cycle and bring about new program approaches as well as enhancement to ongoing strategies.

Institutional Effectiveness

Like nonprofit entities of all types, foundations have an articulated mission, and they undertake a plan to deliver on that mission. The manner in which a foundation undertakes its business through its governance and leadership, its interactions with key stakeholders and customers, and its management and financial practices is all part of the concept of institutional effectiveness. Collectively, these attributes contribute to organizational quality as conceived by scholars such as Peter Drucker and others.

A first area of institutional effectiveness is in the domain of leadership. To the extent that foundations are not only important players as funders but also as community leaders, individual foundations might seek to assess their own leadership role. In examining such leadership in this sense, we might distinguish between activities or efforts and influence. Leadership efforts would include initiatives undertaken by the foundation to inform, educate, and advocate on behalf of needs, issues, or policies. This would include communication campaigns, dissemination of research and practice findings, and convening of potential partners. As to foundation influence as an indicator of leadership, this could include measures of foundation reputation (e.g., citations, media references), engagement in signature initiatives, and success in leveraging resources for initiatives from other funding partners. Some foundations set an objective of being acknowledged as a so-called thought leader within the philanthropic sector, so this dimension of leadership links to this notion.

A second area of effectiveness has to do with how key stakeholders perceive a foundation and how this reflects on the work of the foundation. In this context, foundations may consider who their primary customers or clients are, and what these groups can say about the functioning of the foundation. Assessing effectiveness from the stakeholder perspective can range from the very informal often conducted by foundation staff to the very formal usually administered by a third party. Such a stakeholder feedback approach has been conducted by Grantmakers for Effective Organizations for 168 foundations in the United States (LaFrance Associates, 2008). These grantee perception reports provide the foundation with data on such things as their interactions with grantees, grantmaking process, foundation strategies, and overall performance. The scores generate point-in-time data to assist a foundation in its planning and can also help the foundation monitor its progress over time (Woodwell, 2005).

A third area within the domain of institutional effectiveness is in relation to finance and organization. Inasmuch as foundations are philanthropic entities that collect, invest, and distribute funds, there are many measures of fiscal health that reflect on the operation of the foundation. Measures of investment performance, grantmaking volume, and overhead costs are routinely reported by foundations as measures of their own relative effectiveness. In addition, foundations, like all nonprofits, report on the quality and diversity of staff, the engagement of the board, and progress being made on strategic plans and related initiatives. Collectively, these factors speak to the internal organizational capacity and governance aspects of effectiveness.

Measurement and Interpretation

Beyond the conceptualization of foundation outcomes, there is also the more practical matter of selecting specific measures or indicators of these outcomes, as well as consideration of establishing causality. Though some measures of institutional effectiveness may be relatively straightforward (e.g., return on investment portfolio, stakeholder ratings), for many program strategies the evaluation may require more comparative and rigorous designs drawing on multiple data sources and methods. The power of the randomized control trial to measure causality is an area of consensus; however, it is not uniformly applicable across domains including in foundation work. A range of other designs, many comparative in nature (i.e., quasi-experimental), hold promise as more rigorous approaches to establishing program impact. A number of foundations have invested in multisite or "cluster" evaluation designs as a way to enhance learning. These approaches are attractive in that all sites receive support for some programmatic strategies, and the evaluation is structured with an eye toward cross-site learning, as well as an aggregate assessment of the program benefit. All evaluation strategies involving comparisons over time or between locations provide a stronger basis for foundations to identify the distinct effect of their grantmaking. Such approaches attempt to identify what would have happened in the absence of the program as a baseline for assessing the magnitude of an outcome that was actually observed. In the absence of such designs, extra caution must be exercised in the interpretation of results, especially when making claims about foundation impact, as they may be in part the result of many other forces at work in the community.

Issues for the Field

Despite the marked progress evident among foundations in regard to assessing their impact, there remains much work to be done. In part, additional dialogue is needed across and among foundations so that collectively they are pursuing a shared agenda in this regard. Three issues for consideration are now offered.

Whole More Than the Sum of Its Parts?

Within the outcome measurement framework, the primary focus is on how individual programs convert resources into activities, which then produce program outputs and ultimately desired outcomes for participants. Here, the emphasis is not on the sources of the program funding and other resources but rather on how the program uses them in service of the program mission and objectives. Figure 82.2 depicts a general logic model of foundation impact showing the conceptual linkages from strategy to impact. When looking at the ultimate outcomes, this circumstance leads to an obvious issue of whose outcomes they are. Can both the program and funder (e.g., foundation) lay claim to the same set of outcomes and impacts? Or is the true impact of the foundation found in its broader contribution in terms of leadership and capacity building efforts? No doubt reality lies somewhere in between these two options. Certainly, in practice, foundations claim to varying extents these program outcomes as their own as part of a broader approach to measuring foundation performance (Putnam, 2004). The rigor of the evaluation design undertaken dictates, in part, the ability of a foundation to make these claims in a credible manner.

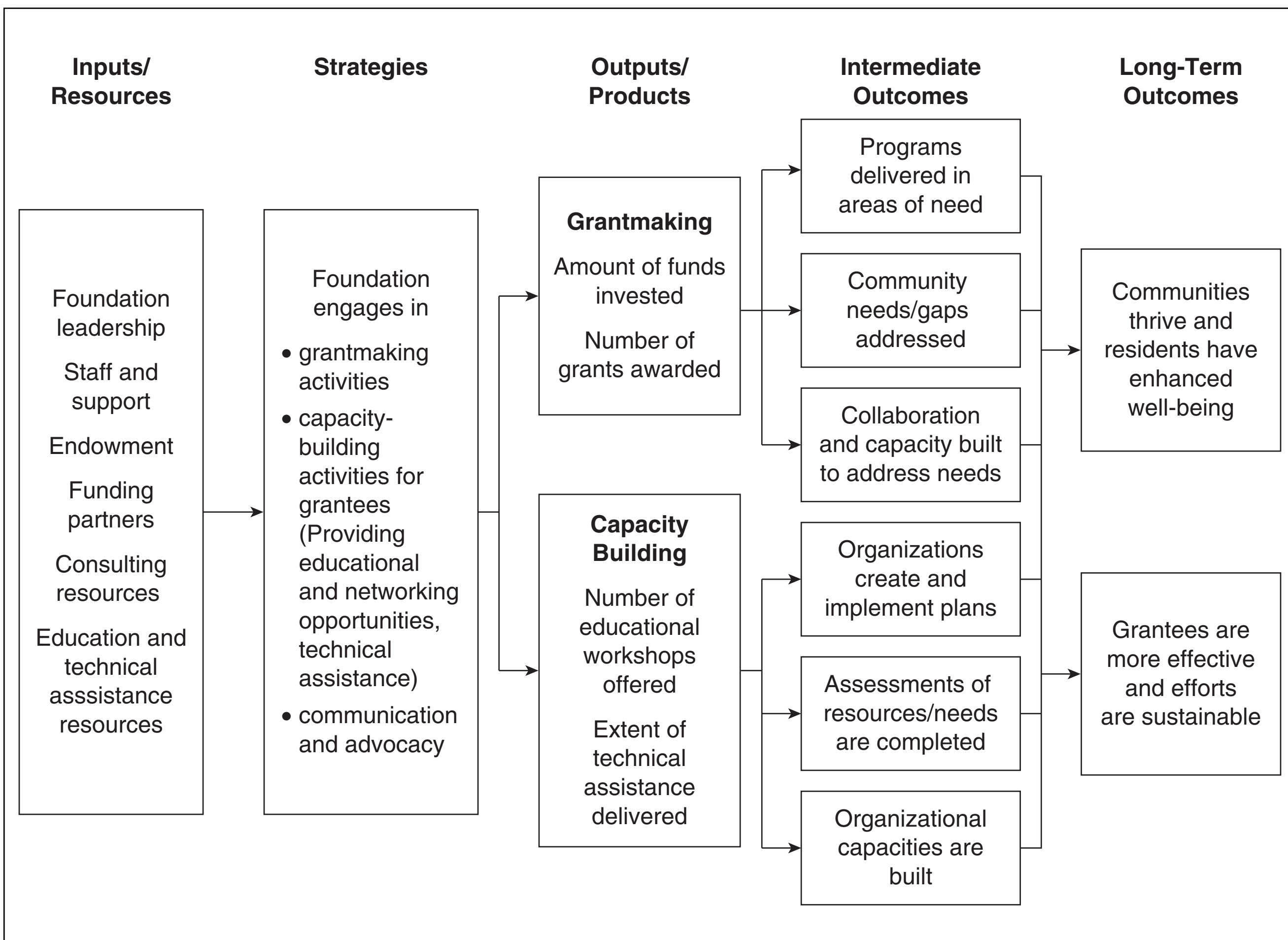

Figure 82.2 Logic Model for Foundation Impact

Data and Common Metrics

At present, there is little consistency in the manner in which foundations assess their own impacts and address issues of accountability. Given the diversity of foundations and their missions and strategies, it is not surprising that they approach the issue of impact in a diverse set of ways. This leads to difficulties in at least two regards. First, it becomes challenging to compare the accomplishments and performance across foundations. This is problematic for donors and those who serve in an oversight role of the foundation community (e.g., federal committees), as well as for the foundations themselves, if they wish to look at their performance relative to their peers. Second, in taking stock of the collective performance of the philanthropic sector, the lack of standard metrics complicates efforts to synthesize data on effectiveness. In dialogues about the societal contribution of foundations, this lack of systematic data results in reliance on disparate information and anecdotes as evidence of benefit.

Use of Findings—So What?

Nonprofits often blame accountability demands on the funder and accept them because the availability of funding is the leverage, motivating them to undertake the efforts. In the foundation world, the leverage aspect is unclear. It may be unfair to assume that foundations would not willingly undertake impact assessment activities, but experience across the nonprofit sector suggests that this may be something all nonprofits share. By looking at the level of participation of foundations in voluntary impact measurement and reporting, we get some sense of this altruistic engagement. In a survey of 77 of the largest U.S. foundations, the Center for Effective Philanthropy (2002) found that the most frequent information used to assess foundation performance in "achieving its social impact and operational goals" (p. 8) was grantee reports and evaluations (72%). The next four most frequent indicators used that related to the foundation's internal effectiveness were administrative costs (37%), investment performance (22%), staff size, caseload, compensation (16%), and use of strategic review (13%). Relatively less frequent were the reported use of measures of foundation influence, such as changes in the field (13%), changes in public policy (12%), peer feedback (9%), and knowledge creation (7%). This pattern of data suggests that foundations rely heavily on their grantees to furnish documentation of the impact of the foundation, as least as recently as 2002 (p. 8).

However, there are a meaningful number of foundations using methods to assess foundation impacts beyond the work of grantees, looking to internal measures of effectiveness and external measures of influence as areas by which they can most closely measure these dimensions. The findings that emerge from these efforts have the capacity to influence not just the grantmaking behavior of foundations but also the program delivery of the grantees to which the data relate. For this to occur, data must be fed back into a decision-making process involving program operators, agency directors, and funders so that an informed dialogue can take place. Learning from successes, as well as failures, is a vital part of making the most of data produced through the evaluation process (Giloth & Gerwitz, 2009).

Future Directions

The area of foundation impact has been the subject of increasing interest over the last decade, and research on this topic has expanded accordingly. However, while much effort on the part of foundations has been directed at promoting effective use of evaluation by their grantees, relatively little attention until recently has been given to the impact of foundations. As the philanthropic community moves forward with this process, there are several areas that will require special emphasis. Three are offered here.

Building Organizational Capacity

The majority of grantees report that they receive no assistance from the foundation beyond the grant itself, but they desire much more. Foundations may need to develop more explicit strategies to promote capacity building among their grantees and prospective grantees. Many foundations recognize nonprofit capacity building as part of their mission and as integral to their success in grantmaking and the success of their grantees in meeting their objectives. As such, foundations should consider opportunities to expand supportive and educational activities for organizations based on the expressed needs of the target entities (Yung et al., 2008). Concurrently, it is incumbent on foundations to examine opportunities for nonprofits to enhance their performance and sustainability through collaborations, mergers, and consolidations. Foundations are well positioned to observe issues of service redundancy and organizational distress, and they can take a leadership role in bringing potential partners together for mutual benefit. As foundations work to increase nonprofit organizational capacity, they must also develop their own capacity in regard to effective governance and management. Foundations with professional staff are often well along the path to achieving their desired capacities, but many foundations have extremely limited internal resources to handle basic functions. If a foundation wishes to be able to assess its own performance over time and be accountable to its stakeholders and the public, it must invest in the internal mechanisms and external relationships to support that work.

Develop Performance Metrics

As the philanthropic sector continues to expand its efforts in the arena of accountability, there will need to be an effort to distill a small set of consistent measures for foundations to use. So rather than have foundations measure everything to varying degrees, the sector should move toward measuring a few things consistently and reliably. This would have the benefit of providing comparable data on foundations to assess the performance of not only individual foundations but also the sector overall. The selection of key indicators is in itself a major undertaking, since particular measures may be preferred by some foundations and not others. Again, this is an opportunity for leadership on the part of the sector from individual foundations and from entities such as the Council on Foundations, Grantmakers for Effective Organizations, and the Center for Effective Philanthropy.

Promote Translational Use of Data, and Create Evidence Base for Field

Related to the discussion of performance metrics, the philanthropic sector has a distinct opportunity to expand the knowledge base about the performance of foundations. Certainly, any one foundation can benefit from data on its own performance, both in terms of informing internal learning and improvement efforts and in demonstrating its impact to stakeholders. In the near term, having all foundations make greater efforts in this regard and make greater use of their own data would be a major boon to the sector. There is a greater opportunity here, as well, to use these data for intrasector learning by sharing data across foundations. Given that it is unlikely that all foundations will have uniformly high performance across all indicators, some foundations may be reluctant to share performance data. However, if the foundation community can work together to make these data more accessible, it is likely to lead to a greater sense of shared mission and promotion of accountability in the long run.

Summary

As key funders and leaders within the nonprofit sector, foundations have a significant role in advancing the pursuit of accountability and improved performance throughout the sector. Over the last 20 years, foundations and other funders have led the charge in bringing enhanced accountability to the programs and organizations they fund. By increasing demands for outcomes measurement and program evaluation, funders have brought about a dramatic increase in the use of outcome assessment methods by nonprofit programs. Now, the burden shifts somewhat to moving the foundation community forward in systematically documenting its distinctive impacts and addressing concerns as to foundations' role in community change. Advancements that have occurred in measuring the organizational effectiveness of foundations as well as program impacts should be continued. With continued attention to this issue, the promise of greater foundation accountability and demonstration of impact will be realized. By integrating such organizational learning into the sector, the societal benefits resulting from the action of foundations will be enhanced and sustained.

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83

Leadership Traps for the Grantmaker

The Problem of Consistent Positive Feedback

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It is an article of faith in the worlds of business, politics, and nonprofit organizations that feedback is the leader's friend because it delivers truths that are sometimes painful—but always useful—to those who manage organizations. This feedback, both positive and negative, provides information that allows managers to define areas of strength, identify weaknesses, correct problems, and harness all of these data to the essential task of improving performance in the future. Underlying the high esteem in which feedback is held in these sectors is an assumption that those providing the feedback are reliably reporting their opinions, experiences, and feelings. Whether their feedback is positive or negative, therefore, it is an accurate reflection of their beliefs.

In the highly distinctive world of endowed grantmaking foundations, however, feedback is not regarded as the leader's friend because the information that it delivers is widely regarded as suspect. This assumption is borne out by the fact that the feedback grantmaking foundations receive is overwhelmingly positive: overwhelmingly, in fact, virtually to the point of unanimity. One of two conclusions may be drawn from this tidal wave of positive data. Either foundations and their employees are, like Mary Poppins, "practically perfect in every way," or the data are highly suspect. This entry will take the position that the data are indeed unreliable, analyze the reasons why unreliable feedback data are built into the grantmaking context, and explain how, nonetheless, it is possible to collect sounder data to help endowed grantmaking foundation leaders improve the performance of their employees, their systems, and most importantly, themselves.

Discussion of Theory

The Highly Distinctive Nature of Foundations

Endowed grantmaking foundations occupy a completely distinctive niche among societal organizations in the United States. Alone among society's entities, endowed charitable foundations need not pass any performance test to succeed. In the world of commerce, businesses must pass the market test to survive. They compete with other businesses for customers in the arenas of price, quality, and service. Customers provide feedback through their buying decisions (slumping sales may signal dissatisfaction) and also through comments directed to customer service agents. Customer feedback may be positive, neutral, or negative, but all of it is deemed largely reliable, for customers have no compelling motivation to provide false information. There is a word for businesses that pay inadequate attention to such feedback, and that word is *bankrupt*.

In the world of politics, candidates must pass the test of elections to gain and hold public office. Politicians compete with nominees of other political parties for votes, and feedback thus becomes an invaluable tool for them to understand what the voters value, desire, and dislike. Again, whether voter feedback is positive or negative, politicians consider it to be largely reliable, for political views tend to be strongly held, and this feedback can be measured directly against the results coming from the polls. Politicians who pay insufficient attention to such feedback soon find themselves on the underside of a landslide.

In the world of nonprofit organizations, charity leaders must pass the fundraising test to survive. They compete with other nonprofits for support from clients, corporations, foundations, and individuals. These funders have the option of providing support for any of the approximately 1.5 million nonprofit organizations in the United States, so the competition to raise funds is absolutely fierce. Donors provide feedback by their decisions to fund or not to fund and also by direct comments. Once more, whether positive or negative, the feedback provided is deemed to be reliable, for funders are in a position to evaluate the relative merits of nonprofits and have no strong motivation for obfuscating with regard to their funding decisions. Nonprofit leaders who do not pay close attention to the feedback provided by funders soon find their organizations are not merely not for profit but not long for this world.

Across the commercial, government, and nonprofit sectors, this feedback is often more than just highly reliable; much of it is also objectively measurable. Sales figures, vote tallies, and fundraising campaign dollars can be reliably counted and compared over time. This allows managers to make decisions based on facts, not hunches. In short, feedback allows leaders in all three sectors to effectively manage their organizations.

The Essential Importance of Candid Feedback

So in the three great sectors of society—commercial, governmental, and nonprofit—the tests, respectively, of the market, the electorate, and fundraising provide essential feedback to leaders. There is no question but that the feedback can be the harbinger of brutal tidings, such as bankruptcy in business, lopsided losses in elections, and in the nonprofit realm, organizational failure. For all of its potential harshness, however, the feedback provided by these tests comprises an indispensable tool for leaders and managers. It identifies areas of strength and high-performing employees, thus defining what is working well. Conversely, it fingers areas of weakness and poorly performing employees, thus defining what is working badly or failing outright. This feedback can be used by leaders to build on strengths and correct weaknesses, to reward the better performing and to correct (or terminate) the low-performing employees. Reliable feedback therefore makes organizations better.

Research has demonstrated that employees in high-feedback fields of work generally have a very clear understanding of how they are perceived by their customers and by the general public, while those in *low feedback* fields generally have an inflated sense of their own value. In a study conducted by the Joseph and Edna Josephson Institute of Ethics, for example, workers in high-feedback fields, such as teachers, politicians, salespeople, coaches, and sports referees, self-identified levels of honesty, effectiveness, and ethics that were remarkably close to the ratings given to their professions by the general public. On the other hand, workers in low-feedback fields, such as therapists and surgeons, self-identified levels of honesty, effectiveness, and quality much higher than the ratings given to their professions by the general public. The field that suffered the greatest disparity between its inflated self-regard and the low esteem of the general public was that of charitable foundations. For instance, in response to the question, how would you "rate the ethics of foundation trustees or board members . . . , 63% of a sample of grantmakers" answered *excellent* or *very good*, while a mere 12% of the general public gave such high marks. Only 5% of the grantmakers rated the ethics of foundation leaders as *fair* or *poor*, while 36% of the general public rated grantmaker ethics as *fair* or *poor* (and another 4% rated them as *very poor;* see Josephson, 1992, p. 152).

What can account for this huge disconnect in esteem between the employees of endowed charitable foundations and their "customers"? At least four factors account for this gap: (1) the lack of any sort of external test for endowed charitable foundations, (2) the power imbalance between those who make grants and those who seek them, (3) the arbitrary nature of foundation decision making, and (4) the highly concentrated nature of foundation accountability. Each will be examined in turn.

The First Factor: Lack of External Tests

The lack of external tests is a problem completely distinctive to the foundation world. As demonstrated, all other societal institutions must pass tests to survive—all, that is, except endowed grantmaking foundations. An endowed grantmaking foundation need not worry about making a profit nor winning an election nor (community foundations excepted) raising operational funds. An endowed grantmaking foundation, instead, lives off the income produced by the funds comprising its corpus. The endowed grantmaking foundation, therefore, need not be concerned with the opinions of customers, electors, or funders. It is thus insulated from the pressures that other societal organizations feel to meet short-term objectives: profit in the next quarter, a lead in the next poll, or a big gift by next month. In theory, this insulation gives endowed grantmaking foundations great freedom to innovate, to back unpopular causes, and to develop programs that are slow to show concrete results. In practice, most endowed grantmaking foundations exercise this freedom very sparingly or not at all. Jed Emerson, a thoughtful critic of the foundation field, has written: "And I don't understand why people who clearly mean well and want to have an impact with the resources under their control are so hesitant to take some measure of higher value risk" (2006).

The answer to Emerson's question has much to do with aversion to the unfamiliar. This freedom from external tests may liberate foundations to be bold or timid as they choose, but there can be no question that it also insulates the field from beneficial feedback. External tests are treated with such respect by other organizations precisely because they are so consequential to them. If customers become dissatisfied with a company's products or services and nothing is done to address these concerns, profits will wither and the company will go bankrupt. If voters become disillusioned with a politician's policies and nothing is done to address these concerns, poll standings will drop, and the election will be lost. If donors feel a nonprofit has strayed from its mission and nothing is done to assuage their concerns, contributions will dry up, and the organization will soon turn belly up.

For endowed grantmaking foundations, however, no such external test looms on the horizon. The foundation's endowed corpus produces income year in and year out, so there is no fundraising test. There is no public oversight of grantmaking foundations, save for the very minimal financial and legal oversight provided by the Internal Revenue Code, so there is no electoral test. Foundations do have customers—of sorts—in their grant seekers and grantees, but these customers have none of the power of their commercial cousins. Indeed, the situation is inverted, for unlike the commercial sector, in which a number of companies are ferociously competing to win a consumer's business, in the grantmaking world there are a number of customers ferociously competing to win a foundation's grants. Should an individual applicant decide to boycott a foundation it would have no effect, for there are always thousands of other organizations seeking funding. Poor performance on the part of a foundation, therefore, has no practical effect: Chances are, grant seekers will keep asking them for money anyway, and if they decide to look elsewhere, there are plenty of other grant-seeking organizations eager to take their place. So long, therefore, as a private foundation writes checks equal to the minimum 5% of net asset value mandated by the annual payout rule, it hardly matters to them whether they do so with distinction or with marginal competence, for their customers have no practical way to influence their behavior. Endowed grantmaking foundations are thus the only societal institution that can do a lousy job this year and next year get even more money to do an even lousier job, all the while never once receiving a piece of negative feedback about any of their transactions. No external tests, therefore, equals no improvement for foundation leaders.

The Second Factor: The Power Imbalance Between Grantmaker and Grant Seeker

The power imbalance between foundations and their applicants and grantees guarantees that even if feedback occurs, it will be of little value because, regardless of whether positive reviews are merited, all of the feedback will be positive. The key to understanding this dynamic is to comprehend the golden rule in its foundation context, that is, "those who have the gold make the rules." Grant seekers quickly discover that foundation leaders are calling all of the shots. Foundations define their own strategy, set their own priorities, write their own requests for proposals, create their own time lines, devise their own decision-making criteria, and select their own lists of grantees. Those who seek grants literally have only as much impact on any of these decisions as the foundation will allow them to have. While endowed grantmaking foundations often use the rhetoric of *partnership* to describe their relationships with grantees, one would be hard pressed to find any grant seeker or grantee who considered the relationship an equal—or even a reasonably balanced—partnership. While it is true that foundations could accomplish little without their grantees, it is also true that grantees, so far as grantmakers are concerned, constitute little more than interchangeable parts. The oversupply of grant seekers and the undersupply of funding sources mean that even if all of a foundation's current grantees were to go on strike tomorrow, the foundation could find suitable replacements within a few weeks time. Foundations may be nothing without their grantees, but the individual grantees are nothing that foundations cannot replace at the drop of a hat.

Grant seekers and grantees are acutely aware of this power imbalance and exquisitely sensitive to the realization that they are part of a long line of competing organizations happy to take their place should anything go wrong in their relationship with their foundation funder. It becomes a high priority for grant seekers and grantees, therefore, to keep their relationships with foundations—especially those that have already funded them—in the best possible repair. One of their favorite methods of keeping fences mended is to ensure that all communications with the foundation and its employees are unrelentingly upbeat. Program officers' banal observations are therefore promoted to flashes of insight; a routine meeting becomes an epiphany; an offhand foundation suggestion becomes an absolute imperative for action. Program officers are thanked for their generosity, their wisdom, and their genius when, in truth, they have been neither generous nor wise nor even particularly bright.

The consequences of the power imbalance are thus highly deleterious to the field. Grant seekers and grantees understand that the only power they possess is the power to flatter the people who make the decisions. The resulting torrent of unmerited praise skews the entire enterprise, for it devalues the process of feedback. Most foundation employees realize that the grantees and the grant seekers are giving them effusive compliments they have not earned, but the praise is so pleasant that they are loathe to lose it. This is particularly the case if the foundation employee has come from a job in a high-feedback field;

habitually being called a genius is so much nicer than habitually being verbally abused. Most of all, the power imbalance has a pervasively pernicious effect, for it inflates not only the importance of positive feedback, but also it deflates the value of constructive criticism. By rendering any kind of negative feedback so rare, the power imbalance marginalizes constructive criticism, making the rare objection seem to be the work of a crackpot who does not understand the enormous value of the foundation's good works, which, by the way, thousands of other people have seen so clearly and praised so lavishly.

The Third Factor: The Arbitrary Nature of Foundation Decision Making

The arbitrary nature of foundation decision making only intensifies the flood of unearned positive feedback in which the foundation is already wallowing. Endowed grantmaking foundations, for the most part, do not make funding decisions based on subjective and transparent criteria. A strong argument can be made that this is a good thing, for such criteria can easily become too rigid and delimiting. The subjective and secretive funding process used in most foundations, however, creates its own set of problems. Applicants realize that their proposals face a number of hurdles that must be cleared before they can get funded. Typically, program officers must first be convinced of the proposal's value, then the foundation's grants committee, then the foundation's CEO, and then finally, the foundation's board of trustees. That constitutes a lot of moving parts, and since applicants have no way to directly influence most of the decision makers, their response is to do what they can, namely, to smooth things along on a velvet carpet of flattery.

This festival of ardent praise tends to be the most intense around the first gatekeeper, namely, the program officer. In most foundations, program officers are a curious concoction of omnipotence and impotence. The omnipotence comes from the virtually unlimited power of program officers to say no. As the first person to handle most proposals, the program officer can, without consulting anyone else, turn a proposal down flat. It matters not how large or small a request nor if it comes from a humble or august institution; if the program officer says no, then it goes no further. On the other side, the impotence comes from the fact that the program officer typically can approve nothing. No matter how small a request, no matter how obvious its merits, the program officer cannot say yes. He or she proposes, but others higher up the foundation food chain dispose. This odd combination of limitless negative power and a complete dearth of positive power magnifies the arbitrariness of the process.

If, in an organization, a class of employees is endowed with unlimited negative power, it is a safe bet that sooner or later, they will not only use that power but will also come to abuse it. Every grant seeker with any experience has tales to tell of the program officer whose day is made if only he or she can find some picayunish reason to deny a proposal: a slight error in math, a misplaced endnote, or even a stray typing error. Such program officers seem to conceive of themselves as a latter-day Horatius at the bridge, single-handedly preventing a hoard of unworthy proposals from overrunning his or her foundation. In short, they are taking their negative power to an absolute extreme.

Little wonder, then, that applicants and grantees alike dare not breathe a word of critical feedback to the program officer. Here, after all, is a person whose fuse often seems as short as his or her memory seems long and, without question, a person who is always armed with the absolute right to send a proposal straight to the shredder. Because the program officer has no positive powers, flattering will hardly guarantee that a proposal will be funded. Because the program officer has unlimited negative power, however, offending one, even if ever so slightly, is a virtual guarantee of proposal failure. To offer constructive criticism to a grantmaker, therefore, is to take on a fool's errand, while offering praise, no matter how fulsome, is always a wise move.

It must be noted that all of this obsequiousness is a sword that cuts two ways. It obviously inappropriately inflates the egos of foundation employees, while it diminishes, in their eyes, the value of constructive criticism. It has an equally, if not greater, corrosive effect on applicants and grant seekers, for the endless need to praise people who do not deserve the accolades makes grant seekers feel like sycophants and gives rise to resentments that persist even if their project is ultimately funded.

The Fourth Factor: The Highly Concentrated Nature of Foundation Accountability

The highly concentrated nature of foundation accountability has the perverse effect of devaluing the most important feedback foundations can receive, while exalting beyond all proportion feedback of lesser value. In other societal organizations, accountability is widely distributed. For a commercial enterprise, for example, the purchasing decisions of thousands—or even millions—of customers become a major source of accountability. Perhaps, the most illustrative case was that of New Coke, a product launched by the Coca-Cola Company in the 1980s to replace the century-old formula for their flagship soft drink. Consumers reacted negatively, and sales of New Coke, after an initial spike due to people trying it for the first time, rapidly deteriorated. Soon, a grassroots outcry compelled Coca-Cola to reintroduce its old formula, under the banner of Coke Classic. Eventually, New Coke sales collapsed completely, so Coca-Cola quietly withdrew this misbegotten product from the market. Similarly, accountability is widely distributed across the electorate in politics, and among the stakeholders of nonprofit organizations. A museum's patrons, for example, can simply choose not to attend if they dislike a particular exhibition.

Only in endowed grantmaking foundations, once again, is there an exception to this rule of wide accountability. The normal customer system is inverted; instead of foundations competing to serve grantees, the grantees compete with each other to get foundation grants. Applicants and grantees, therefore, exercise no power of accountability over foundations. With no consumer to satisfy, no voter to mollify, and (community foundations excepted) no donors to pacify, accountability in the foundation context shrinks to the handful of people who constitute the foundation's board of trustees. One of the key functions of a board of trustees, of course, is to be the ultimate arbiters of organizational accountability, so it is not a bad thing that a foundation's board is accountable. The problem arises from the fact that they provide the only source of accountability.

The people who work most closely with foundation employees—applicants and grantees—are in the best position to provide the feedback needed to properly assess the employee's—and the foundation's—performance. Yet as has been demonstrated, applicants and grantees compete for the favor of foundation employees and thus fear providing honest feedback. With the people who best know their work effectively muzzled, foundation employees come to realize that out of the hundreds or even thousands of people with whom they work each year only the handful who sit on their foundation's board of trustees truly matter. Others may be dissatisfied with their work or angry with them personally, but they will know better than to say so openly. The only opinions that count are those of board members.

The dysfunctionality of this narrow band of accountability quickly becomes evident. Those who daily witness foundation employees going about their core tasks do not have a voice in the employees' performance review, while people who see only a small portion of the employees' work once a quarter or perhaps only twice a year provide the only oversight. Foundation employees quickly learn that if they can keep the wool pulled over the trustees' eyes, they need not be concerned about any other feedback offered by anyone else. To paraphrase scripture, "If the trustees are for me, who can be against me?"

The High Price of High Praise

As a result, therefore, of the lack of external tests, the power imbalance between foundations and those who depend on them, the arbitrary nature of foundation decision making, and the highly concentrated nature of foundation accountability, all foundation employees live in an unreal and giddy bubble, one in which they can say, "I am practically perfect in every way, and should you doubt me, I can produce all the data required to prove it." Applicants and grantees, however, work in a considerably less idyllic state, one in which they feel forced to mouth the words of praise to program officers who have treated them cavalierly or even poorly. Peter Frumkin (2006) notes this phenomenon, writing that "few nonprofits are able to express themselves candidly, . . . even if they have major complaints and concerns" (p. 106). Waldemar Nielsen (1972), who was an exemplary program officer himself, went further, writing that although a program officer "may receive public flattery, he is commonly held in private disrespect by those with whom he has professional dealings" (p. 327).

This unhealthy state of affairs underlies many interactions between grantmaker and grant seeker, and it has a corrosive effect on what is ideally supposed to be a working partnership between the funder and the funded. One of the occupational hazards of a long tenure in the field is that, over time, the program officer begins not only to welcome the constant flattery but indeed comes also to expect it, and at the same time, becomes hypersensitive to even a hint of criticism. This description, written in 2007, is just as apt today:

> Thus arose the caricature of the foundation leader, his every move a royal progress, his thirst for fulsome praise unslakable, his aversion to even the mildest criticism absolute. The more out of touch and ineffective he became, the firmer his belief that he was a paragon of effectiveness. He was "large and in charge," the "sage on the stage," and secretly, the butt of every joke whenever applicants (and even grantees) gathered together. (Orosz, 2007, p. 39)

Clearly, foundations pay a huge price for having created the conditions that have led to an excess of praise and a dearth of constructive criticism. But what can be done to reverse, or at least reduce, the doleful effects of this situation? The obvious answer, that of removing the conditions causing the problem in the first place, cannot easily be implemented. No foundation leader is capable of creating an external test, such as the market test, for his or her foundation, nor can the power imbalance between the foundation and those who depend on it be redressed. A bold foundation leader would be capable of creating a less arbitrary decision-making process in any given foundation, one that offered program officers some measure of positive power to counterbalance their negative power, but two things militate against even this modest reform. One is that the negative power program officer model is entrenched by nearly 150 years of tradition in the foundation world and thus is not a simple matter to dislodge or upend. The other is that most foundation CEOs intently avoid rocking any organizational boats; many indeed regard their tenure at the head of an endowed grantmaking foundation as the capstone of their career, which makes it highly unlikely that they will tackle any systemic reforms in foundation management. Foundation leaders are best placed to address the highly concentrated nature of foundation accountability. A 360-degree-performance-review system could be implemented, for example, that would place a significant weight on input from applicants and grantees thus broadening accountability beyond a foundation's small and usually unrepresentative board of trustees. Such an approach is likely to be stoutly resisted by all involved with foundations. Program officers will decry it as a management by popularity contest, foundation officers will declare it too unwieldy, and board members will regard it as an assault on their governance prerogatives. In short, needed reviews to make feedback more representative of actual sentiments will not anytime soon bubble up from within the foundation world.

Yet even if these four factors remain in place and are left unaddressed by the broader foundation field, there are still some things that individual foundations can do to elicit honest feedback. Historically, foundation leaders have been lukewarm about embracing these methods largely because of a sense that such efforts are doomed to failure. First, if the foundation surveyed its applicants and grantees, who would be bold enough—or perhaps foolish enough—to answer honestly, for fear that anything they said that was less than glowing could and would be held against them when they submitted future requests? Second, even if the survey was made anonymous, both applicants and grantees would still self-censor, for fear that foundation employees could divine their identities through the details and context provided in their responses and once more use that knowledge against them. Third, even if that fear of retribution could somehow be laid aside and honest answers could be gathered, the very nature of the two samples to be surveyed all but preordains the answers that would be received. Grantees, since they have received support, would be overwhelmingly positive in their responses, while applicants whose proposals had been declined would be negative in equally overwhelming numbers. So any unfiltered survey would ultimately demonstrate that people who got grants were happy, while those who did not were unhappy. Such a survey is merely an expensive way to grasp the thoroughly obvious. From this last point grows a fourth objection: Every dollar spent surveying applicants or grantees is a dollar that cannot be spent on grants. Why spend precious funds that could go toward meeting the problems of people to do research that would only confirm what was already intuitively obvious?

Discussion of Future Directions

The Futility of Early Attempts in Capturing Candid Feedback

These four criticisms were indeed borne out by some of the early attempts made by individual foundations to survey both their grantees and the applicants they had turned down for funding. Foundations that experimented with direct surveys during the 1980s received responses that were so overwhelmingly positive—even from those organizations they had turned down for funding—that the results were deemed to be virtually worthless. By the 1990s, foundations such as Packard and Kellogg experimented with a more sophisticated form of surveying, one in which they guaranteed anonymity to their respondents. The results, however, reflected the second critique, for both grantees and rejected applicants feared that if they answered honestly, foundation employees would be able to deduce their identities. As a result, the answers received from both groups were still suspiciously positive, even from those turned down (Orosz, 2000, p. 41). Such results seem to vindicate those who said a search for reliable feedback in the foundation context was as likely to be successful as the search for the Holy Grail.

Efforts to Make the Foundation More Receptive to Candid Feedback

Recently, however, there have evolved improved mechanisms for gathering—and making use of—candid feedback from grantees and rejected applicants alike. Beginning with the creation of the Program on Nonprofit Organizations at Yale University in 1976 and accelerating rapidly during the 1990s, academic centers for the study of philanthropy, volunteerism, and nonprofit management have been established at hundreds of colleges and universities across the United States. As of 2009, according to the Nonprofit Academic Centers Council, 46 of these centers employed full-time directors and faculty and offered regular programs of teaching and research. Such programs as the Center on Philanthropy at Indiana University (http://www.philanthropy.iupui.edu), the Dorothy A. Johnson Center for Philanthropy at Grand Valley State University (http://www.gvsu.edu/jcp), and the Lodestar Center for Philanthropy & Nonprofit Innovation at Arizona State University (http://www.asu.edu/wpp/nonprofit) provide survey designs that could objectively measure the opinions of foundation grantees and applicants. While such academic offerings are certainly an improvement over self-administered surveys, their increasing availability has not, to date, resulted in a ground swell of such research activity. Foundation leaders are usually skeptical of the value of the surveys in the first place, and some regard academic centers as something less than fair brokers, for such centers are themselves grant seekers and staffed by scholars who do not always fully appreciate or understand the complexities and distinctive circumstances of foundation work.

Another important development, this one dating from 1997, moved the field closer to an appreciation of the importance of securing honest feedback. A group of foundation executives and program officers from around the nation coalesced to form Grantmakers for Effective Organizations (GEO, http://www.geofunders.org). Initially, GEO focused on the need for foundations to move beyond the funding of programs to methodical support for the development of strong nonprofit organizations that can devise, administer, and sustain strong programs. GEO quickly expanded its focus to include the central importance of improving the foundations' own "core business." GEO's status of being *of funders, for funders* made foundations more receptive to their advocacy for proactively surveying grantees and applicants to gain useful feedback to improve operations.

The advent of GEO was followed closely by a pair of bottom-up efforts to improve the grantmaker/grant seeker relationship and thus, among other things, enhance the quantity and quality of feedback that grantmakers receive. Both of these initiatives, the GrantCraft program of the Ford Foundation, founded in 2001 (http://www.grantcraft.org), and the Grantmaking School of the Johnson Center for Philanthropy at Grand Valley State University, founded in 2004 (http://www.grantmakingschool.org), seek to train foundation program officers in good practices within the field of grantmaking. It usually comes as a surprise to outsiders to learn that the foundation field, which has been employing program officers in the United States since 1867, has never agreed on fieldwide basic principles of good practice. It usually comes as an even bigger surprise to outsiders to learn that people who will be responsible for wisely choosing grantees and making millions of dollars of grants to them are rarely provided with any training in their craft beyond a rudimentary orientation, instead, being abandoned to a haphazard experience of learning by doing. Given these facts, there is little wonder that the relationship between grantmaker and grant seeker is so fraught with difficulties. Both GrantCraft and the Grantmaking School have defined, in the absence of fieldwide standards, their own sets of good practices, which they impart to program officers through educational programs, publications, and their websites. It is reasonable to believe that, as better-trained program officers percolate up through the infrastructure of the foundation field, communications between them and the grant seekers and grantees will take on a more authentic tone, with honest feedback becoming more the rule rather than the exception.

Candid Feedback Comes of Age: Center for Effective Philanthropy

Contemporaneous with the evolution of GEO, GrantCraft, and the Grantmaking School has been the development of the organization that has, to date, been most successful in improving the quality of feedback from applicants and grantees to foundations, namely the Center for Effective Philanthropy (CEP), located in Cambridge, Massachusetts (http://www.effectivephilanthropy.org). The CEP was conceived in 2001 as a research institute with a mission to provide reliable information to foundations that would allow them to improve their efficiency and effectiveness.

It was not until 2003, when the CEP began to offer foundations their Grantee Perception Report, that the prospect for truly candid and reliable feedback became a reality. The CEP, a neutral third party, guarantees the anonymity of grantee respondents (foundation employees do not see the raw data) and thus encourages candid responses. As of December 2009, the CEP had generated 173 Grantee Perception Reports for all types and sizes of foundations. The grantees' perceptions of the interactions with foundations during the grantmaking process and the impact of the foundations' actions have provided an eye-opening experience for foundations commissioning the reports. Fully 97% of the participating foundations have made operational changes on the basis of what they have learned from the survey, according to an evaluation conducted by LaFrance Associates, a limited liability company (LLC). Actions taken by the foundations range from major changes in grantmaking strategy to improvements in grantmaking processes and communications with grantees (Center for Effective Philanthropy, n.d., "Grantee Perception Reports"). The *Chronicle of Philanthropy* concluded that the Grantee Perception Reports "have resulted in changes in foundation operations and have fostered frank dialogue between grantmakers and charities, which historically have been wary of speaking out against supporters for fear of losing money" (Wilhelm, 2005, pp. 2–4).

There can be no doubt that the CEP's Grantee Perception Report constitutes a great leap forward in the quest for reliable external feedback in the foundation world. Foundations—for the first time—are able to get unvarnished responses from an uncowed sampling of their customers. The CEP, in 2006, launched a second series of assessments, the Applicant Perception Reports, focusing on the views of applicants whose proposals were declined by foundations, so both successful and unsuccessful requesters can now be heard. As of December 2009, thirty Applicant Perception Reports have been completed by the Center. The constructive data gathered by these reports provide the basis for real foundation improvement (Center for Effective Philanthropy, n.d., "Applicant Perception Reports").

On the other hand, neither the Grantee Perception Report nor the Applicant Perception Report in itself provides a complete solution to the feedback challenge. To date, less than 1/6 of 1% of American foundations have commissioned one or another of the reports. These reports are too expensive for every foundation to pursue, and in any case, the CEP lacks the capacity to conduct them for all of the approximately 80,000 American foundations. Clearly, a less expensive and more accessible way to garner unbiased feedback must be found, perhaps through some sort of joint venture between the CEP and the growing network of university centers for the study of philanthropy.

Paths to Individual Responsibility

Since the institutional leadership of the field of philanthropy has done relatively little to promote candid feedback, it is incumbent on all individuals who work in the field, no matter how low they may be on the organizational chart, to take personal responsibility for securing and using external information. There is a general axiom among program officers that very much holds true: The more time you spend at your desk, the less effective you are as a grantmaker. It is incumbent on grantmaking professionals, therefore, to look beyond the foundation's walls for data and resources to help them improve their performance.

Perhaps the most valuable thing a grantmaker can do is to get, as soon as possible after being hired by the foundation, training in good practices for grantmaking. As previously mentioned, the Grantmaking School and the GrantCraft project of the Ford Foundation provide courses and educational resources that stress the importance of grantmakers' responsiveness to applicants and grantees and promote grantmakers' encouragement of candid feedback. With such training, grantmakers come to realize that the money they are dispensing is not their own; that grantees are partners, not supplicants; that although grantmaking is not a formal profession, it is important to behave professionally; and that humility is an essential personality trait of the most effective grantmakers.

Training is a prerequisite to informed and effective grantmaking, but it is still necessary to get out of the office frequently to maximize personal responsibility. Site visits, in which grantmakers visit the applicant or grantee on his or her own turf, are an important means of keeping in touch, not only with a specific grant seeker but also with developments in the broader field. There are many things that can be done outside of daily foundation responsibilities, as well, such as volunteering for service in nonprofit organizations or serving on their boards of trustees. Such opportunities provide authentic insights into the struggles and successes of a foundation's nonprofit partners and allow the foundation to give unvarnished feedback outside of the supercharged foundation environment. Some foundations will even give employees a sabbatical to go work, for as much as a year, with a key grantee, so they can truly immerse themselves in the reality of their work.

In the end, it is not possible for individual foundation employees to control the way in which their officers and their trustees run their organization. It is, however, not only possible but also imperative for individual employees to take responsibility for being open, approachable, and honest grantmakers. As one of the greatest program officers of all time, Abraham Flexner, once noted, "applicants come to you, psychologically, on their knees. It is your task to help them to their feet" Orosz, 2007 (p. ix).

Summary

The Center for Effective Philanthropy has opened wide the door to honest feedback, and many more foundations should enter. Individual foundations can and should take more vigorous steps to openly court such feedback and to put it to use. Many options are available even to those foundations that find the tools offered by the CEP to be too expensive to use. Tom David (2006) has suggested several practical (and cost-effective) steps foundations can take to solicit useful information, such as convening grantees in retreat settings or at conferences; conducting transparent grantee surveys, focus groups, and phone interviews; distributing mail-back cards; and creating a foundation-wide habit of listening closely to all stakeholders. David further suggests that foundations should actively encourage their staffs to reflect on the data thus collected as well as create group learning forums so that employees absorb the lessons and put them to use. Foundations should publish the results on their websites and in their annual reports and likewise share with their stakeholders and with the broader field the lessons they have learned and the adjustments in practice that they intend to make as a result.

However improvements in soliciting and using honest feedback are achieved, whether by foundation fiat or by individual initiative, it must be done. As legendary Penn State football coach Joe Paterno once remarked, "You are either getting better, or you are getting worse" (Orosz, 2007, p. 42). There is no status quo, only evolution or devolution. Either foundations are making proactive efforts to improve through careful evaluation of external feedback and thoughtful course corrections, or they are getting worse. Foundation leaders need to do more—much more than they have done in the past—to get better, and they need to do so quickly. There is no excuse for organizations with so much freedom and so many resources to behave so arbitrarily and so thoughtlessly toward their customers' needs and wants. Most of all, there can be no justification for the lousy performance that such heedlessness inevitably brings in its train. The benefits of listening carefully to applicants and grantees alike are nicely summarized by the CEP:

> Ultimately, the beneficiaries of better foundation grantee rela tionships are not just grantees and foundations, but the people and issues they seek to affect through their work. By working more productively together, foundations and grantees can cre ate more positive social impact. This, after all, is the ultimate goal of both parties. (Bolduc, Buchanan, & Huang, 2004, p. 3)

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Ethics and Grantmaking

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> *Philanthropy is America's most distinctive virtue. . . . [It is] central to our health and survival as a free and open and democratic society. . . . Without [the nonprofit sector] we're a society without a moral compass.*
>
> Robert Payton

The issue of ethics has taken on increased importance in the United States, due in large part to the media coverage of companies such as Enron. But ethical issues have been an integral factor in nonprofits almost since their inception. The role of nonprofits in the United States is unique. Nonprofit organizations have played not only a key role in the history of America, but also they have helped define America. We are who we are in part because of nonprofits.

Educational, charitable, civic, religious, and grantmaking institutions represent the most prevalent demonstration of Americans' commitment to the common good. Together, these institutions constitute American philanthropy in its two basic forms—those entities that seek funding in order to provide goods and services to others in need and those entities that were established to award funding to deserving nonprofits in order for them to provide such goods and services. Collectively then, *philanthropy* (from the Greek for "loving others") can be defined (Payton & Moody, 2008) as a

- primary vehicle that people use to put their moral beliefs into practice; and
- voluntary intervention in the lives of others for others' benefit. In this way, philanthropy is innately moral.

Note the link between *philanthropy* and *moral*, or *ethi cal*. Almost by definition, to be engaged in the field of nonprofit service or grantmaking requires one to act according to ethical standards.

Nonprofits exist because the public decided to create them. What we typically think of as a nonprofit holds legal status from the Internal Revenue Service (IRS)—usually what is called *501(c)(3) status*. Organizations that earn a 501(c)(3) status are eligible to receive tax-deductible contributions. The government has said, Because your organization exists to serve others, we are awarding you with unique status. Persons who contribute to your organization can declare their donations against their income on their income tax forms.

Many grantmaking organizations also hold this 501(c)(3) status. That is true for what are called *private foundations* (usually those with an endowment or "corpus") and *community foundations*, which often serve to pool donations into a coordinated investment and grantmaking entity. As with nonprofit *charitable* organizations, grantmaking organizations are given special tax status in the recognition that they exist to advance the public good.

Nonprofits thus rely on the public's belief in them to survive; in turn, the U.S. public has since colonial times relied on nonprofits for essential services—health care, education, social services (orphanages, for example). Without the public's trust, nonprofits would not exist. And a big part of that trust comes from the public's belief that nonprofits hold themselves to high ethical standards. Warren Buffett commented that "it takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently" (p. 111).

Nonprofits are only as good as the image they project, as we have seen. A few years ago when scandal rocked the United Way both nationally and regionally, the former president of United Way, William Aramony, was found guilty of illegally using over $1 million of United Way's funds for his own personal use. He was sentenced to 7 years in prison. The nonprofit's reputation may be the single most important factor in the nonprofit's ability to carry out its mission, whether that mission is providing services or providing funding for those services. The United Way had enjoyed enormous success. It was backed by the National Football League, ensuring it national visibility and financial support. The United Way's president, William Aramony, was forced to resign after the public learned of his large salary ($460,000 in 1992, plus benefits), his overblown expense account, and his apparent financial misdealings, including the creation of several "spin-off" organizations that received funds intended by donors to go to the public good. Aramony was forced to resign and subsequently was imprisoned. The United Way scandal was not just about one person. It was about the failure of a nonprofit—board and staff alike—to live up to the trust that had been given to it by the public.

Ethics Defined

Let's first review some definitions.

Minkes, Small, and Chatterjee (1999) state that ethics is concerned with prescribing and describing moral requirements and behaviors. There are acceptable and unacceptable ways of behavior. People and organizations exist within a code of ethics. However, this code of ethics is framed by the culture in which the people and organizations exist. In some cultures, it is totally acceptable in a business environment to offer bribes and to accept bribes. In American culture, this behavior is considered unethical. Some organizations think their American code of ethics is the only acceptable behavior and other behaviors, regardless of culture, are unacceptable.

There are two ways of looking at ethics: One way is to determine whether or not something is ethical solely by the consequences of our actions or practices. An action or practice is right if it leads to the greatest possible balance of good. An example of looking at it this way—by examining the consequences—is Utilitarianism. According to Utilitarianism, actions are right in proportion to their tendency to promote happiness or absence of pain. Utilitarianism is committed to the maximization of good. The problem is how does one define *good?*

By comparison, the other way of looking at ethics relates to a sense of duty. It considers factors other than outcomes. Actions are not justified by their consequences. One must consider the importance of *motives*. Those who adhere to this second definition insist on the importance of motives and character. In other words, ethics is based on a set of principles that should be followed and not on the results of our actions.

Both of these definitions apply to philanthropy. Nonprofits, the "charitable" organizations seeking funds or the organizations making financial contributions, are judged externally by how we view their behavior. But what we learned from the Enron debacle was that the appearance of doing good (Enron was viewed as a model corporate citizen) is not enough. Ethics is also about what people believe including if they believe they have a duty to do what is right.

Ethics and Leadership

Studies of leadership often link leadership with an organization's culture. Edgar Schein, one of the better known authors on leadership and culture (1992), argues that organizational culture and leadership are two sides of the same coin. Leaders establish the organizational culture and then are influenced by it.

If one agrees with that point of view, the implications for leadership are clear:

- It is the responsibility of leadership (and thence management) to create an organizational environment that fosters ethical behavior. That environment is created in part by the establishment and inculcation of values and in setting a clear ethical tone.
- Setting the tone means "walking the walk." To "do as I say, not as I do" just won't cut it.
- Organizational leadership needs to establish clear expectations: which behaviors are expected and acceptable and which are not. Leaders should have an ethical plan in place.

Can ethics be taught? Can nonprofit leaders instill a sense of ethics in making grant awards or fundraising? The organization can teach its employees about the organization's ethical code. Management can give staff clear examples of what is acceptable and help staff to consider real-to-life examples. But the training needs to be accompanied by a modeling of the desired behavior. Internalized ethics is more effective than enforced ethical behavior. One of the ways that culture and ethics are linked is in developing a sense of community within the nonprofit. People are more likely to behave appropriately if they feel a sense of belonging. People are more likely to want to belong if they feel their leaders are behaving in ways that are admirable. If the leader of the nonprofit is more focused on raising funds than on doing good, or more focused on looking good in the grantmaking field than on investing in sound causes, the sense of belonging is likely to suffer. That goes for actions taken and not taken: Doing nothing is the same as doing something. What the organization's leadership doesn't do sends an equally strong message about what is expected and what is tolerated.

An Ethical Framework

It may be useful to see ethics in the larger context of society. Hellriegel, Jackson, and Slocum (1999) provide such a framework in their discussion of ethics. According to this framework, ethics starts with what might be called the *morality* of the individual. Placing the individual in the middle of a set of concentric and ever-widening circles, the next level moves from the "individual" to the "organizational" level. At the organizational level, morality and ethics conjoin. Morals might be said to derive from personal character, whereas ethics exist in a social context in which those morals are applied. In other words, ethics points to standards or codes of behavior expected by the group (the organization, which is essentially a group of people) to which the individual belongs. And it is in this moral/ethical context that ethical issues begin to play out: Although genuine ethics come from a personal value system (morals), it may be possible to *act* ethically without adhering to one's own moral beliefs and value. Such behavior is just that—acting.

An example of this conflict between personal morality and organizational ethics can be found in a book called *On a Clear Day You Can See General Motors* (Wright, 1980). The book describes the experiences of John De Lorean and the other senior executives at General Motors Company (GM) as they developed and sold a car, the Corvair, that they knew was defective—potentially lethally so. The executives decided in the long run it would be cheaper to produce and sell the car and pay for the damages or deaths suffered by people whose Corvairs caught fire. De Lorean says that the people who made this decision strictly on financial and not ethical grounds were in all other contexts good people—husbands, fathers, soccer coaches, community leaders. Somehow, when they left their homes in the morning, they also left behind their personal morality and bought into a skewed sense of what was acceptable behavior. In some ways, De Lorean's actions and those of his colleagues are not so different from those leaders of some grantmaking organizations that abuse the public trust for personal interest or gain. According to an article in *Academic Psychiatry* (Lazarus, 2006), a number of studies have shown that as a result of pharmaceutical industry influence, inaccurate, incomplete, or otherwise biased information based on the results of pharmaceutical-sponsored clinical trials becomes published and accepted by those either in medical school or in practice.

The pharmaceutical example above also demonstrates how ethics and law can conflict. The pharmaceutical industry may not be breaking any law by underwriting research that supports its products. But as a grantmaker, it is certainly stretching the bounds of what would be considered ethical.

Ethics and law can often run counter to one another in the nonprofit sector. In general, grantmaking foundations are prohibited by law from *lobbying*, meaning they cannot directly attempt to influence the passage of legislation. But they are allowed to engage in *advocacy*—that is, encouraging support of a cause that might be under consideration for legislation. The difference is a fine one but one that grantmakers have to appreciate. But take a hypothetical case: Can grantmakers provide support for organizations that do engage in lobbying? What if the grantmaker supports a nonprofit in the environmental field that is comprised of two entities: one, an organization that clearly fits under IRS rules for its educational purposes; and the other, which does not qualify for tax-deductible contributions because it actively supports or fights legislation. The 501(c)(3) entity owns the building and grounds on which the lobbying entity sits. Thus, a grant to one indirectly helps the other.

This is an important distinction to make. The premise of a classic article called "The Four Faces of Social Responsibility" (Dalton & Cosier, 1982) is depicted in Figure 84.1. Here are some examples of how the "four faces" might play out in ethical issues facing nonprofits:

- *Legal/Responsible.* Fortunately, most activities undertaken by nonprofits, both grant seeking and grantmaking, fall into this category.
- *Legal/Irresponsible.* It is legal for grantmaking organizations to pay salaries and expenses for their board members. It may be irresponsible to authorize board members to travel first class, stay in only the best hotels, and charge part of their business space back to the grantmaking organization.
- *Responsible/Illegal.* Suppose your grantmaking organization believes that marijuana when used properly can be a great help to people undergoing chemotherapy for cancer. The law in your state prohibits the use of marijuana. So you award grant funds to a nonprofit that is based in a country where the marijuana laws are not enforced; the nonprofit in turn makes the marijuana available to patients who come to that country.
- *Irresponsible/Illegal.* Fortunately, this too is a rare occurrence in nonprofits although there have been some examples, which are yet to be proved, such as a grantmaking organization awarding funds to entities known to support terrorist activities.

The next level of the concentric rings in the ethical framework proposed by Hielriegel, Jackson, and Slocum (1999) addresses society's role in ethics. Public policy—the making of laws and regulations—tends to follow public opinion—the "will of the people." People decide what is

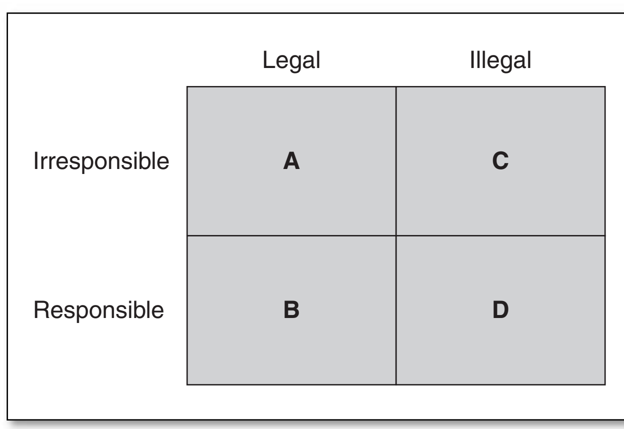

Figure 84.1 Four Faces of Social Responsibility

SOURCE: Dalton and Cosier, 1982.

right or wrong, and what they decide is often reflected in the subsequent passage of laws and the implementation of regulations. As a society, we have decided that corporations should be allowed to set aside a portion of their profits, which go into grants to nonprofits. We have decided that at least some nonprofits should not have to pay property taxes.

Some societal decisions are less clear-cut: Should private foundation grants to abortion clinics or Planned Parenthood be allowed? Should the National Rifle Association Foundation be allowed to target grant funds for programs that teach children and youth about guns?

The final level in the ethical framework (Hielriegel, Jackson, & Slocum, 1999) brings up an important point about ethics. The final level speaks to an overall "system" of ethics—a system within which virtually any ethical decision could be made. What makes ethics and ethical decision making so difficult is that there is no universally accepted system. What is ethical (and legal) in the United States—birth control, for example, or the right to bear arms—might be unethical in some other cultures. There is no consistent agreement on what constitutes ethical behavior even within the United States. Here's an example: The author of this chapter was for several years a consultant to a national grantmaking organization that helped persons with disabilities. The organization both accepted contributions and made grants. Two of the major supporters of the organization were the tobacco industry and the beer industry.

Without the support of those two industries—tobacco and beer—the organization's financial resources would have been cut in half or worse. So the ongoing dilemma within this grantmaking organization was, Should it accept funding from "tainted" sources, from companies that sold products—especially the tobacco companies—that were known to be harmful to people, products that might in fact lead to people becoming disabled?

There was no *right* answer. The answer was a clear *yes* and *no*. That's what makes ethics so difficult. If the answer is black or white, it's probably not an ethical issue in the first place.

Ethical Conduct and Ethical Decision Making

Ethical Conduct

Ethical conduct begins with an atmosphere of trust. The relationship between grantmakers and grant seekers has matured as both parties have become more sophisticated in recent years. Grant seekers take a more businesslike approach. They are better stewards of the funds given to them than might have been the case a generation ago. They understand finance and accounting, sound governance, and strategic planning. Grantmakers, in turn, do more than just give their money away. They become involved in the process, often working with the grant seeker to ensure the funded project's success. The trust relationship between grant seeker and grantmaker is built on three factors: (1) courtesy, (2) honesty, and (3) responsible management of information (Sievers, 2008).

Unfortunately, the first factor—courtesy—does not always occur in the world of private grantmaking foundations. Staffs among foundations sometimes form their own "club" that is open to colleagues and closed to nonprofit grant seekers. For the relationship to work ethically, the trust needs to begin with common courtesy and civility. The situation is improving, especially among newer grantmakers, such as those who made their fortune in the dot.com boom. Having "made it" on their own, these younger grantmakers tend to be more accessible.

Honesty is also a two-way proposition. Grant seekers walk a fine line: They want to present themselves as competent so that they will be seen as a good investment. But they need to be careful not to "oversell" themselves. Grant seeker honesty also comes up once the project is underway: When the funded project is going awry, with timelines slipping and results at risk, what should the nonprofit staff tell its funder?

The honesty factor is no less tricky for the grantmaker. In many, usually smaller foundations, it can be difficult for the grant seeker to get good information on the foundation's guidelines or funding priorities. Although most of the larger private foundations have published information, what they tend not to say is that sometimes funding decisions are made because certain board members have "pet" projects that get top priority.

This leads to the third trust factor between grant seeker and grantmaker—responsible management of information. In the absence of reliable information, it's human nature to "awfulize"—to imagine the worst case scenario. The nonprofit needs to go out of its way to keep the grantmaker informed—to err on the side of too much information, if anything. The nonprofit should invite site visits by the grantmaker and encourage the grantmaker to meet with those who are being served by the funded project. And in this digital age, there is no reason why grant seekers should not be transparent as well.

Factors That Influence Ethical Conduct

Published research (Rest, 1994) has identified four crucial factors that influence ethical conduct: (1) ethical *awareness*—recognizing that a situation raises ethical issues; (2) ethical *decision making*—determining what course of action is ethically sound; (3) ethical *intent*—identifying which values should take priority in the decision; and (4) ethical *action*—following through on ethical decisions.

Ethical Awareness

Ethical conduct in nonprofit organizations—or any organization for that matter—begins with an acknowledgment that an ethical situation is present. If we are not tuned into ethics generally or do not understand what might constitute an ethical situation, we might "filter" out a situation that in fact should be addressed for its ethical implications. This may mean being aware that what is seen as an ethical situation in one culture may not be seen as such in another. This can be a challenge for grantmaking foundations with an international focus, among them the Ford Foundation, the Bill and Melinda Gates Foundation, and the Kettering Foundation.

My behavior as an employee or board member of a nonprofit starts with my own ethical grounding. It is not only insufficient to say, "I was only following orders" or "it's part of the organizational culture," but also it is being dishonest with oneself. As the example John De Lorean at GM showed, it is easy—and so tempting—to get caught up in the organizational climate, allowing oneself to take actions (or avoid taking actions). Why did it take legal intervention for the United Way to correct a situation that must have been obvious to both staff and board? Why didn't anyone speak up about the way veterans who had been wounded in Iraq were being treated? The answer would seem to have to do with the climate of the time and the desire to follow the leader.

Ethical Decision Making

This is such a significant topic that it will be addressed under its own heading, which follows.

Ethical Intent

Some organizations seem to rely on a code of conduct as a way of identifying what constitutes an ethical situation and how to deal with it. But ethical codes need to emanate from a true commitment to ethics within the organization, led by the organization's top management, and be shared by staff and board throughout.

The MacArthur Foundation (n.d.) seems to have made this kind of commitment to ethical intent, as evidenced by this statement from the foundation:

> The Foundation expects its staff and directors to conduct themselves consistent with the highest ethical standards. The Foundation's policies set forth the expected standards and the procedures to be followed to comply with the policy. The Foundation's Code of Conduct, which emphasizes a number of different policies, is set forth below. No policy can address every conceivable ethical situation. Ultimately, therefore, the Foundation relies on the good judgment, integrity, and hon esty of its staff and directors to ensure it addresses all situa tions in an ethical and legal fashion and in compliance with the applicable policy. ("Code of Conduct")

The MacArthur Foundation's policy goes on to address the standards by which it will interact with its grantees. Here is some of what those standards address:

- The foundation undertakes substantial due diligence to ensure that the proposed grantee organization has the capacity, structure, values, and resources to accomplish the purpose of the grant and that the foundation's grant funds will be used for the intended charitable purpose. Note the inclusion not only of the ability of a grantee to complete the proposed project but also of the values of that grantee.
- Once a grant is made, the foundation does not control the actions of its grantees, yet it continues to have a keen interest in the outcome of the grant and the manner in which grant funds are spent.

The MacArthur Foundation, while acknowledging that it no longer controls the funds once they have been awarded, nevertheless indicates that its continued support is based on a sense of trust that the grantee will operate in an appropriate manner.

Ethical Action

> *We all find ourselves in situations that at times seem hopeless. And, we all have the choice to do nothing or take action.*
>
> Catherine Pulsifer

Ethical decisions need to lead to ethical actions. It does feel sometimes that it would be easier to just let it be and hope the issue will go away. But nonprofits have a unique obligation. It is referred to as *fiduciary responsibility*. A fiduciary responsibility implies a relationship between two or more parties that is based on *trust*. That is why we often call those who serve on nonprofit boards *trustees*. They have been entrusted with the organization's well being and image. They are expected to uphold its values and reflect its ethics in their actions.

Ethical Decision Making

Ethical decision making is at once similar to and distinct from other organizational decision making. The rational decision-making model follows three sequential steps: (1) identify and define the problem; (2) generate alternative solutions to the problem; and (3) select the best solution and implement it. There are several problems with this classic approach:

- It treats decision making and problem solving as the same. Especially as it relates to ethics, there is real risk in waiting until a problem occurs. Nonprofits need to continually monitor the internal and external environment in which they operate to anticipate possible ethical issues and address them before they are blown out of proportion.
- The model assumes that decision making is rational. In fact, what is known about decision making is that it is "bounded" (a term coined by Herbert Simon, 1957) by insufficient information, emotion, office politics, personal agendas, and limited time.

- As a result, most decisions have to be based on the best alternative that nonprofits can come up with at the time. They have to “satisfice” select an alternative that is not perfect but is “good enough.”

In most ethical decisions, there is no single right answer; that’s what makes them ethical decisions. Management textbooks often point to Johnson & Johnson Company’s (J&J’s) decision to pull Tylenol off the shelves in 1982. Someone, or some group of people, substituted real Tylenol with capsules laced with cyanide. Seven persons died from cyanide poisoning as a result. As soon as Johnson & Johnson heard of the problem, the company alerted the public and pulled all Tylenol from store shelves. Johnson & Johnson’s prompt actions were laudatory. But the issue was hardly an ethical one. There really was no choice.

The Johnson & Johnson Tylenol case does point out an important aspect about ethics and ethical decision making. J&J’s corporate culture, driven by its CEO, was based on honesty and fair practice. In such an organizational culture, the decision to pull Tylenol off the shelves was not only right, it was also logical.

Decision Making in the Nonprofit Sector

Nonprofits present a unique set of ethical considerations. For one, in the for-profit sector, interactions (exchanges) are two-way—consumer-seller. Nonprofits often add a third dimension—nonprofit organization (analogous to the “seller”), recipient of goods or services (the “consumer”), and the grantmaker (the source of funds that makes the exchange possible). All three parties have to be in accord. The grantmaker has to have confidence in the values and capacity of the nonprofit seeking funds. The nonprofit has to have a commitment to the common good; when ethical issues arise, the nonprofit needs to make choices that are consistent with its mission of service. And the recipient needs to earn the trust of the nonprofit. If the recipient abuses the trust of the nonprofit, the nonprofit’s image can in turn be damaged.

Checklist for Making Ethical Decisions

The following checklist may be useful as a guide to ethical decision making in nonprofit organizations.

1. *Recognize the ethical dilemma.* The ethical decision making process starts with candid recognition that an ethical dilemma does in fact exist. That kind of candor is more likely to occur if the culture of the organization be it grant seeker or grantmaker does not “shoot the messenger.” It is essential that the organization avoid *groupthink*, which occurs when a group makes flawed decisions because of group pressure to conform and not “rock the boat.” Groupthink leads to a weakening of “mental efficiency, reality testing, and moral judgment” (Janis, 1972, p. 9).
2. *Get the facts.* Fact finding need not be an exhaustive process, but it does need to be an honest one. The decision will be doomed to fail if vital information isn’t put on the table.
3. *Identify your options.* Here again, identifying options should be unfettered but need not go on indefinitely. Some decision making is stalled by what is called “paralysis by analysis” the organization spends so much time studying options that the decision never gets made.
4. *Test each option.* Once the list of options has been narrowed, ask, Is it legal? Is it right? Is it beneficial?
5. *Decide which option to follow.* Double check your decision: How would I feel if my family found out? How would I feel if this matter made the news?
6. *Implement.* Take action but continually evaluate to make sure the course of action makes sense and is working (Donaldson, 1996).

Clearly, the best time to address ethical issues is before an ethical issue arises, using procedures carefully developed, tailored to the organization, and faithfully followed. These procedures include standards of conduct, most broadly described as the nonprofit’s code of ethics, and a guarantee and assurance from those within the nonprofit that the standards are supported at the top and met throughout.

Guiding Principles

The following are drawn from two sources—*Understanding Philanthropy* (Payton & Moody, 2008) and *Money Well Spent* (Brest & Harvey, 2008).

- *Seek to do good, but at the least, do no harm*. Goodwill is not enough; it needs to be accompanied by good action. Good actions need to be based on what is sometimes called *systems thinking*—asking the “what if” questions. What are the likely consequences of a proposed action? Will the outcomes reflect the desired goal? Are there possible unintended consequences, and if so, can they be mitigated? Here’s an example of unintended consequence: Does providing funds to an individual or nonprofit inadvertently lead to that individual or nonprofit becoming dependent on that support? Doing good and doing no harm means basing organizational decisions on sound evidence, fairness, and accuracy in public pronouncements, and openness to other points of view and other values.

- *Think and act strategically.* For grantmakers, this means recognizing that “saving the world” may be a noble goal but not a realistic one. Grantmakers need to set priorities, determining not only what to fund but also what not to fund. And then, they need to target their grantmaking to reflect those priorities. Thinking and acting strategically also means continual evaluation: Is the grants program making a difference? Should the focus be shifted? Should the grantmaker become more involved in assisting grant recipients?

• *Give all you can*. In the words of noted philanthropist Andrew Carnegie, "The man who dies rich . . . dies disgraced." A corollary of the "give all you can" precept is "give back and pass it on." Most grantmaking entities achieved their wealth from profit-making activities. It only makes good sense to give back to the "community," broadly written, that made wealth possible. "Pass it on" means encouraging others to make a similar commitment to philanthropy. There is more to life than making money, and in the long run, each of us will be judged by who we are, not what we own.

Ethical Case Studies

Each of the following case studies is concerned with the grantmaking side of the equation.

Individual Grantmaking

Although private foundations and corporations get most of the attention, individual giving comprises about three fourths of all giving in the United States. In 2009, for example, individual donations amounted to over $230 billion.

It behooves individuals to make informed decisions. Consider how you would respond to these scenarios:

> *Scenario #1.* You want to contribute to fight cancer. You have been contacted recently by a cancer organization that relies on direct mail and telephone solicitations. How can you determine if the organization operates ethically and merits your support?
>
> *Scenario #2.* You work for a college whose president prides herself on the college annual campaign for scholarship funds. The president has challenged each of the college departments to have 100% participation by their staff. She has also set fundraising goals for the various departments. As a result, your boss recently held an all staff meeting in which he suggested that everyone in the department would be demonstrating his or her belief in the college by making the scholarship drive a priority for his or her personal giving. You would like to make your own decisions on where to make your contributions. How might you respond?

Although there are no absolute answers to either question, there are some guidelines that can be followed. Before deciding to make a contribution, one can check with organizations that monitor nonprofits and provide information on them. One of the better sources is Guidestar (http://www2.guidestar.org), whose mission is "to revolutionize philanthropy and nonprofit practice by providing information that advances transparency, enables users to make better decisions, and encourages charitable giving." If the cancer organization that has contacted you is not in Guidestar's database, you might want to think twice about a contribution: If the nonprofit had nothing to hide, why would it not make itself "transparent"?

You can also help nonprofits to hold themselves to ethical standards by asking questions directly: What percentage of their annual budget goes to program costs and what to fundraising? Do they provide an audited annual report? Do they use a fundraising company, and if so, what percentage of dollars raised go to that company? (Note: The Association of Fundraising Professionals Code of Ethics prohibits fundraisers from taking a percentage of funds raised.)

The second scenario is less straightforward. But this much is clear: It is unethical for an employer to coerce employees to contribute to any cause. Individual giving is an individual choice. You might talk with the college's legal counsel or ombudsman, if there is one. You could also recommend that the issue be considered in an all-staff, anonymous survey.

Corporate Giving

Corporate giving is often a gray area in grantmaking. This is because companies tend to see their corporate giving as an extension of their overall marketing and public relations.

> *Scenario #1.* You are the corporate giving officer for your company. The company president has recently decided that the corporate giving should be more closely aligned with profitability. He wants the corporate grants to be made only to nonprofits that are clearly linked to the company's product line. You would prefer that the corporate giving be responsive to community needs. How might you respond to the president's directive?
>
> *Scenario #2.* Your company has a large international component, and its corporate giving has been expanded to the countries where the company has a large presence. The problem is that some of the nongovernmental organizations (NGOs, the international equivalent of a nonprofit) hold values that run counter to accepted values in the United States. For example, one of the NGOs being considered for grant support does not allow women on its board; nor will it support the education of women.

As with any "sticky" issue, there are no easy answers. But there is a growing body of evidence that a company's corporate social responsibility (CSR) is related to its image and in turn to potential profitability. One idea would be to propose that a portion of every dollar spent on a company product will go toward a charitable cause—heart disease, for example, or the planting of a tree.

The second scenario requires a decision at the top of the company. It may be possible to develop a corporate giving policy that acknowledges and respects different cultures but requires that any NGOs applying for funds agree to standards set within the United States.

Community Foundations

According to the Community Foundations Leadership Team, a community foundation is a tax-exempt, nonprofit, publicly supported philanthropic institution. Its funding comes from many donors to carry out their charitable interests as well as broad-based charitable interests. Community foundations thus both make grants and fund raise to obtain funds that can be turned into grants.

> *Scenario*. You are the development (fundraising) officer for a community foundation. You have developed a close and per sonal relationship with one of your donors, an elderly person. The donor has started giving you rather expensive gifts in appreciation for your kindness. Is there an ethical dilemma here, and if so, how should you handle it?

There is a dilemma, but as an ethical issue, there are no hard and fast answers. Your community foundation needs a clear policy on the acceptance of gifts. Until one is in place, you should bring this issue to the attention of your CEO, who should in turn bring it to the attention of the board. If the decision is made that expensive gifts are not to be accepted, you need to think of a way to tell the donor without turning the donor off. One suggestion is, ask the donor if you might turn the gifts over to the community foundation, with due recognition to the donor.

Private Foundations

According to the Foundation Center, a

> foundation is a non governmental entity that is established as a nonprofit corporation or a charitable trust, with a principal purpose of making grants to unrelated organizations, institu tions, or individuals for scientific, educational, cultural, reli gious, or other charitable purposes. . . . A private foundation derives its money from a family, an individual, or a corporation. (http://foundationcenter.org/getstarted/faqs/html/foundfun.html, n.d., "Frequently Asked Questions")

> *Scenario #1.* You are on the board of a grantmaking founda tion. The board chair wants to direct foundation grants to his college's alumni association. The board chair carries a lot of clout on the board, and it is likely that the other board mem bers will go along with his wish.

> *Scenario #2.* You are a staff person on a grantmaking founda tion. The foundation board has decided to make a grant to a nonprofit that supports abortion. You believe that abortion is wrong and immoral and should be illegal. How do you respond?

Scenario #1 should be addressed by a clear code of ethics for the foundation. That code could prohibit grants that have not gone through a review and recommendations by staff. You may not want to "take on" the board chair on this one grant, but you could recommend that the board establish a code of ethics. Contact with the Council on Foundations might provide you with some supporting information on what other foundations have done.

Scenario #2 is more problematic. The short answer is either try to convince your foundation not to get into grants for agencies that support abortion, or begin to look for a job that is a better fit with your values.

Summary

Compared to much of the for-profit sector, nonprofits—both grantmakers and grant seekers—enjoy relatively few government regulations and constraints. Even the appearance of impropriety can be detrimental to philanthropic foundations and charitable organizations. The public relies on the nonprofit sector to use funding for the intended use. Nonprofit organizations have played not only a key role in the history of America, but also they have helped define America. We are who we are in part because of nonprofits.

Nonprofit. Not for profit. Independent sector. Third sec tor. Nongovernmental organization. By whatever name, nonprofits are integral to America's history—and perhaps to its future. Nonprofits are all about philanthropy—literally, the love of humankind. Nonprofits exist because people *choose* to invest some of their disposable income in the form of contributions, dues, gifts in kind, and the like. That is why it is especially important that nonprofits operate ethically.

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PART VII

Leadership of Nonprofits and the Individual

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Understanding the Charitable, Philanthropic, Altruistic Impulse

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Since the rise of sociology as a scholarly discipline in the mid-19th century, the academy has tried to understand the scientific and sociological underpinnings of the philanthropic, or altruistic, impulse. Auguste Comte, generally considered the father of modern sociology, coined the term *altruism*—derived from the Latin word *alter* (other)—in his *Système de Politique Positive* (1851–1854) to designate the totality of what humans do for the benefit of others. Comte recognized that many of our actions—even most of our apparently benevolent ones—are the result of egoism; however, he believed humanity had evolved to the point that most humans could act out of a selfless desire to "live for others," and he wanted a word to signify that desire.

Even though the word *altruism* is normally used as a synonym of *philanthropy* (the love of humans) today, Comte wanted to use it more as a replacement for the Christian notion of *agape*, or selfless love—*caritas* in the Latin, which is roughly transliterated as "charity" in English. He coined this term so that the scientific and philosophical communities could express the notion of living for others without incorporating the theological baggage carried by terms like agape or caritas.

Evolutionary Developments of the Altruistic Impulse

Since research on human altruism initially relied more on Darwin's theory of natural selection than on Comte's sociology, the earliest studies on the altruistic impulse depended predominantly on evolutionary biology and its subdiscipline, sociobiology, for direction. Due in part to the disciplinary bias that guides evolutionary biology, these studies were weighted in favor of natural selection and against Comte's notion of selfless altruism.

Biological organisms survive better when they are stronger, and selfish ones tend to be the strongest, so natural selection will favor the selfish ones. A consensus began to emerge that no organism's altruistic act is really free of selfishness. William Hamilton set the growing consensus into evolutionary doctrine when he concluded that no apparent acts of altruism should be considered unselfish since at their most basic level, the acts were intended to benefit the altruist or the altruist's genetic or social group for transmission into the next generation (Hamilton, 1964).

With that disciplinary bias, evolutionary biologists and sociobiologists tested ways to explain a behavior that looks like Comte's altruism but that works within the more familiar framework of self-interest. They were able to identify four theoretical processes that could account for it: reciprocity, by-product mutualism, group selection, and kin selection or inclusive fitness.

Evolutionary studies benefited from John Nash's *equi librium theory* in economics. In that theory, Nash argued that the best result would come for the most people if all actors do what is best for themselves *and* for their opponent(s). He showed that even competitors in noncooperative games benefit from cooperating, thereby ensuring greater success over the long-term for each player (Nash, 1950). The implications for evolutionary studies were immediate.

In Robert Trivers's theory of *reciprocal altruism*, he proposed that an organism can benefit from helping unrelated organisms—even organisms of different species—if it perceives the possibility that the other organisms might reciprocate. Trivers's theory depends on two conditions: (1) The two organisms must have the capacity to recognize each other, and (2) the two organisms must exist under conditions in which there is some likelihood of repeated encounters. Applying game theory to his empirical studies, Trivers was able to show that reciprocal altruism could have evolved as a selfish survival mechanism for organisms willing to make short-term sacrifices for long-term gains, just as cooperation in a noncooperative game can achieve mutual, long-term benefits for both competitors, even though cooperation might not benefit either competitor in the short-term (Trivers, 1971; see also Wilkinson, 1990).

By product mutualism parallels reciprocal altruism except that the actor behaves selfishly and without any consideration of another's fitness benefit. The actor's behavior offers itself fitness benefits, as intended. The fitness benefits that the other organisms might receive are incidental and unintentional. Since there is mutual fitness benefit in the act for both parties, there is benefit for the actor to repeat it. The act of an animal joining a herd—whether of the same or of a different species—is one example. The animal directly benefits itself by joining the herd since it will be safer from predation. Yet by joining the herd, the animal has incidentally made the other members of the herd safer from predation, which was not its intention (Clutton-Brock, 2002).

Group selection, the theory that one organism might sacrifice itself for the benefit of the group to ensure the survival of the group, seems to draw some inspiration from the theories of Charles Darwin himself; however, it contradicts Darwin's belief that natural selection favors the self-interested individual rather than the interests of the group. Darwin (1871) was aware of the group's importance to the individuals' survival and of the role altruism could play in the success of the group. Yet Vero Wynne-Edwards (1962) reversed Darwin's emphasis and put the focus on the group itself in his group selection theory. He thought this theory could explain a pattern of behavior he had observed in various animal populations that used discernible mechanisms to regulate their populations so as not to overexploit their food supplies. Some animals voluntarily sacrificed their opportunities to reproduce in order to ensure that the group would not exhaust its food supply, even though the evolutionary bias is toward reproduction. Based on this insight, Wynne-Edwards asserted that natural selection of groups might explain the survival of the species better than natural selection of individuals does.

Reactions to Wynne-Edwards's theory came swiftly. David Lack (1966) attacked it on the basis that Darwinian mechanisms could explain virtually all of his observations as well as group selection does, and Maynard Smith (1964) and George Williams (1966) attacked it on the basis of a problem they called *free riders*. In a group containing multiple altruists, free riders would invariably arise. Because the altruists were sacrificing themselves for the sake of the group at the same time as the free riders were preserving their own fitness benefits and reaping additional fitness benefits from the altruists' sacrifice, the selfish free riders would have more fitness benefits when the time came for reproduction. Therefore, it would be more likely for the group's selfish traits than for its altruistic traits to survive into the next generation.

Maynard Smith (1964) and George Williams (1966) preferred *kin selection*, the theory that one gene or organism might sacrifice itself for its relatives to ensure that genes with genetic characteristics similar to its own would survive into the next generation. They based their theory on William Hamilton's research on *inclusive fitness*. Hamilton had suggested that altruism could evolve despite the death of the altruist if the degree of the actor's genetic *relation* to the recipient of the act, multiplied by the fitness *benefit* to the recipient, were greater than the *cost* of losing the actor's altruistic gene. This formula came to be called Hamilton's Rule: $RB > C$. If the actor were to sacrifice its life for a relative instead of a stranger, there would be much greater likelihood that the altruistic gene might pass on to the next generation since its relatives share much of the same DNA (Hamilton, 1964).

Kin selection seemed to explain the value or usefulness of generosity between related organisms without suggesting that the acts were selfless. A decade later, sociobiologist Richard Dawkins (1976/1989) would publish a study on such acts called *The Selfish Gene.* He attributed this title both to sociopathic and to altruistic genes, since both are selfish. The genes merely use different strategies to attain their ultimate goal of replicating themselves to some degree in the next generation. As Dawkins saw it, there is no evidence on the genetic level that unselfish altruism can exist. Having stated this verdict, however, Dawkins expressed his surprising conviction that the genes are not the final piece of the altruistic puzzle he sees.

Dawkins (1976/1989) asserted that the human brain has finally evolved to the point that it gives humanity the capacity to transcend the limits of genetic evolution. The dominance of biological explanations of human behavior ended with the emergence of the human mind and cultures. According to his theory, human cultures are transmitted by an evolutionary process of imitation between humans and groups of humans, through which the more useful cultural innovations can survive into the next generation. To give this *unit of cultural transfer* a name, Dawkins coined the word *meme*, from the Greek *mimeme* (to imitate). The transfer of stronger memes makes it possible for the human mind to rebel against its genes through something akin to free will, which liberates the actors' behavior from the biological necessities of survival.

Dawkins showed the limits of evolutionary biology to explain human behavior. Evolutionary biology can identify a genetic predisposition to benefit others when the consequences of that act offer fitness benefits to oneself or to one's group, but it cannot explain how humans move beyond their biological drive for self-survival to perform benevolent acts toward others without regard to the self. Yet a growing body of scholarship shows that many humans *have* acted selflessly for the benefit of others (Piliavin & Charng, 1990). These studies suggest that there is a gulf between the genetic predisposition to act out of self-interest and the impulse to act benevolently toward others without regard for self.

During the 1980s and 1990s, social psychologist Daniel Batson and his research partners moved the study of the philanthropic impulse past the gulf Dawkins had identified without resort to hypothetical memes. Their empirical studies showed that the human capacity for empathy, however it developed, can give rise to altruistic acts that are free of egoistic determinants. For example, by shining a light on the motivational intentions of altruistic acts, using pluralistic models of prosocial motivation rather than focusing on the fitness consequences of the acts, Batson and Shaw (1991) pushed the study of altruism outside "the Eden of egoism" (p. 108). By restricting his studies to the *motivation* of a given act, Batson recasts Comte's theory on altruism and vindicates his optimism.

This restriction yielded new definitions of altruism and egoism: "Altruism is a motivational state with the ultimate goal of increasing another's welfare. Egoism is a motivational state with the ultimate goal of increasing one's own welfare" (Batson & Shaw, 1991, p. 108). Batson and Shaw defined *motivational state* as a goal-directed psychological force. The same force can be applied either to altruism or to egoism. The distinguishing factor is not the strength of the motive; instead, the ultimate goal determines the motive. Since the focus of this definition is the motive rather than the consequences or the perception of consequences of a given act, Batson and Shaw's definition of altruism excludes the demand of self-sacrifice. "Pursuing the ultimate goal of increasing another's welfare may involve cost to the self, but it may also not. Indeed, it may even involve self-benefits and the motivation would still be altruistic, as long as obtaining this self-benefit is an unintended consequence of benefiting the other, and not the ultimate goal" (p. 109).

Batson and Shaw found the key to human altruism in what they called the *empathy altruism* response. They defined empathy as a set of congruent vicarious emotions, such as sympathy or tenderness, which are directed more toward others than toward self. Empathy creates an attachment between humans and enables them to identify with and to feel emotions that are congruent with—though not identical to—another's emotions. In response to the other's emotional distress, the actor calculates the cost of achieving the altruistic goal and locates the cost that seems least harmful to the self in order to achieve the goal. Batson speaks of "hedonic calculus" in this respect, but he does not find it contradictory to his theory, since the calculus in this equation pertains only to least harm rather than to greatest personal benefit for the actor (Batson & Shaw, 1991).

To measure this hedonic response, Batson, Duncan, Ackerman, Buckley, and Birch (1981) use a difficulty-of-escape scale. If the cost of escaping the test situation is high, the actor will more likely stay to help the distressed subject; however, if the cost of escaping the test situation is low, the actor will more likely leave than help. However,

> if the bystander's motivation is altruistic, his or her goal is to reduce the other's distress. This goal can be reached by help ing, but not by escaping. Therefore, the likelihood that the altruistically motivated bystander will help should be inde pendent of the cost of escaping because escaping is a goal irrelevant behavior. Increasing or decreasing the cost of escaping should remain as high when escape is easy as when it is difficult. (p. 292)

The cumulative result of Batson's studies shifted the tide, such that his erstwhile critic John Dovidio acknowledged, "The burden of proof has now, ironically, shifted to those who argue for universal egoism" (Dovidio, 1991, p. 127).

Repeated studies supported the empathy-altruism hypothesis that empathic arousal will produce altruistic motivations in prosocial behavior. Indeed, an abundance of studies on this hypothesis over the past 3 decades have forged a prominent theoretical footing for it. Many of the behaviors we may have considered the result of reciprocity or group and kin selection might now be attributable to empathy (de Waal, 2008; Dovidio, 1991).

Frans de Waal (2008) observed that it requires a shift in perspective to move an individual "beyond being sensitive to others toward an explicit other-orientation" (p. 285) In addition to the biological mechanisms that help actors perceive and interpret another person's emotional state and that give individuals "an emotional stake" in others' welfare, there are empathic mechanisms that help actors shift to an empathic "other-orientation." Among large-brained species, such as cetaceans, apes, and humans, these mechanisms open the door to "intentionally altruistic altruism," by which the actor studies the dynamics of a situation and looks for a way to benefit another within the perceptible variables. On this level, the altruistic actor is free to choose either to act for self-benefit or to act for another's benefit (p. 292).

Social Developments of the Altruistic Impulse

Much of the data that contextualizes these choices for humans derive from the social institutions and practices that coevolved with the expanding brain. These data inform the humans' choices through culturally constructed windows and through interpretive metaphors that help humans make sense of the data they receive. First among these institutions are the families and communities in which humans live. There is a reason the evolutionary studies of human altruism have devoted so much attention to group and kin selection.

As the human brain expanded sufficiently to support abstract thought and symbolic language, families and communities passed on their histories through songs, stories, and artifacts to help them make sense of their experiences and to bring meaning to their lives (Ricoeur, 1977). Amid these stories, songs, and metaphors, communities became aware of questions they could not answer pertaining to life, death, and human purpose (Dawkins, 2003). While reflecting on these difficult questions, developing cultures began to speak in terms of "sacred things" (Durkheim, 1912/1995) that make demands on human individuals and societies. Early societies began their quest to understand these sacred things with an appreciation of nature forces, divinities, and sanctities. As millennia passed, some societies progressed to notions of pantheism and monotheism.

Social scientists proposed two evolutionary theories to explain the social development of religion and culture. First, sociologist Émile Durkheim (1912/1995) argued that the sense of the sacred was merely a product of human societies and that it most probably—albeit subconsciously—represented the societies themselves. These religious expressions reflected the way societies wanted to be known, both among their members and by people outside their group. To reinforce (or to enforce) these social descriptions, each society established religious rites and "rules of conduct that prescribe how man must conduct himself with sacred things" (p. 38). In this way, all societies developed a set of moral codes and expectations to order their social interactions and to guide them in relation to the sacred.

Second, paleontologist Pierre Teilhard de Chardin, SJ, argued that the human mind (or noosphere) and reflective consciousness had finally evolved to the point that it could at last perceive spiritual realities, which *really do* lie just beyond the mind's senses. The human capacity to detect these spiritual realities led each human society to worship what they could barely sense with the full force of their communal experience. After millennia of experiences with those spiritual realities, human societies began to develop more meaningful constructs to explain their experiences until, finally, these societies were able to interact—however vaguely—with the object of their worship and to perceive in moments of social clarity and of divine revelation the demands that the object of their worship had placed on them (de Chardin, 1959). In this way each society developed a set of moral codes and expectations to order their social interactions and to guide them toward spiritual union with the object of their worship.

Neither of these theories would be especially appealing to more conservative Jews and Christians, who would find a third way to explain the emergence of religion. But the way religion developed is not really the point here. Durkheim and de Chardin both support the growing consensus that cultural practices and institutions coevolved with the human mind. So the greater concern for this study is their observation that early social explorations into the sacred and early attempts to design rites, practices, and moral codes, which could govern worship and social interaction, coevolved with the human mind to provide humans with the cultural data they needed to recognize the benefits of altruistic behavior within their groups.

According to Jonathan Haidt (2007), the primary purpose of the moral systems that coevolved with the mind was to suppress or regulate selfishness, which is what makes social life possible. These moral systems evolved as embedded elements of broader faith systems for the social groups in which they emerged and were able to provide intrinsic reinforcement of the moral system. Every society has formulated a religiously based moral code to regulate selfishness and to promote altruistic behavior toward others. For that reason, social scientists like Haidt have contended that we must study the social impact of religion on the human impulse to behave altruistically.

Henry Allen Moe once contended that "religion is the mother of philanthropy, both conceptually and procedurally" (1961, p. 141). He defended his proposition by looking at the ecclesiastical institutions and legal precedents that fostered the environment for charity (often coerced and frequently enforced in ecclesiastical courts) in the medieval church. This environment gave way to the Elizabethan statutes on charitable uses—in response to ecclesiastical abuses—that permitted citizens to use their money for extra-ecclesiastical charitable causes.

Scholarship supports Moe's observation that institutional developments in Judaism and Christianity inspired American democratic innovations that promoted free association, tax relief for charitable gifts, freedom of expression, and so on, which directly benefited American philanthropy (Payton & Moody, 2008). However, Moe's contention that religion is the mother of philanthropy *conceptually* is overstated. Religion is not the mother of philanthropy. At best, it is philanthropy's big sister, as religion and human altruism coevolved with the emergence of human societies. Still, it is difficult to overstate the influence religion has had on the codevelopment of human altruism.

There are several possible etymologies of the word *religion*. The derivation most scholars accept is the Latin word *religare*, which means "to bind to." The word religion indicates the core reality (realities) or perceived reality (realities) to which we bind ourselves, in which we find value, and by which we assess our values. By this definition, the secular humanist is no less religious than the Evangelical Christian, even though the core realities to which they bind themselves are significantly different. Demerath (2002) noted that even sociology is in this sense a religion to many. The distinguishing characteristics between peoples' varying religious expressions are the core realities to which they bind themselves. In most cases, these core realities are mixed, often inconsistent (e.g., simultaneously altruistic and egoistic) and frequently in competition within us. Yet they shape our systems of value by which we determine where we will use our resources and efforts.

In the United States, roughly 83% of Americans claim to have some religious or spiritual affiliation (Pew Report, 2008). Within the Pew Report's margin of error, a 2008 Gallup poll puts that percentage at 86% (Newport, 2008). Since virtually every spiritual faith tradition in America admonishes its members to behave altruistically (Payton & Moody, 2008), religion and altruism are joined at the hip here.

Regular polling attempts to measure the extent of that connection. A Gallup poll shows that highly religious people worldwide and across religious lines are significantly more likely to donate money (38% highly religious, 29% nonreligious), to donate time (29% highly religious, 18% nonreligious), or to help a stranger (56% highly religious, 49% nonreligious) than nonreligious people. In fact, households in which family members attended religious services regularly contributed 2.48 times more money annually to charitable causes than households in which no family members attended religious services regularly (Pelham & Crabtree, 2008). Since the data also show that "volunteers were more likely than their non-volunteering counterparts to belong to a religious organization (75.6% vs. 58%)" (Saad, 2008), we recognize a strong connection between religion and philanthropy in America.

This connection raises new questions regarding the relationship of religion and altruism among those who claim some affiliation with an organized spiritual tradition. In repeated studies, social scientists have been unable to locate a measure that could fully explain the connection between religion and the philanthropic impulse to which the national polls have pointed for decades. For example, Watson, Morris, and Hood (1984) found an inverse relationship between *extrinsic* religiosity and altruism and a positive relationship between *intrinsic* religiosity and altruism.

Batson's studies supported Watson et al. (1984) on extrinsic religion: He showed that people with extrinsic, or *means*, religiosity tended to use helping others as a means to a selfish end, or they tried to escape the distressful situation altogether. An example of extrinsic religiosity might be found in the ancient Roman Empire, where Jewish and Christian aristocrats made extravagant bequests to the poor in their cities to ensure that their communities would carve *elemosinarius* (Latin for one who is "devoted to the giving of alms") on their gravestones. Giving alms was a means to an ulterior end for them: They wanted to be immortalized in stone. The aristocrats' practice appears to be less about an authentic expression of their faith tradition and more about personal standing in the eyes of their communities (Brown, 2002).

Intrinsic Orientation

Some scholars saw promise in the intrinsic orientation as an explanation of the philanthropic impulse (Watson et al., 1984). However, Batson, Schoenrade, and Ventis (1993) came to question that orientation as well. In spite of the fact that people with intrinsic, or *end*, religiosity viewed themselves as the most altruistic group, their clinical and field tests with "victims" in distress did not reflect any greater helpfulness. In some tests, people with this orientation offered less help than people with extrinsic religiosity had offered. Batson and his research partners were able to show that people with intrinsic religiosity tended to see their religious expressions themselves as the terminal value, so they had less motivation to help others in distress (Batson et al., 1993). They concluded that neither extrinsic religiosity nor intrinsic religiosity can be shown to incline one to be more altruistic.

A study by Ji, Pendergraft, and Perry (2006), using a massive sampling of 16,000 Evangelical adolescents, confirmed Batson's observations on intrinsic religiosity. Their study suffers methodologically because it does not include a non-Evangelical control group, but its findings are telling. They found that intrinsic religiosity among doctrinally orthodox Evangelical adolescents "is positively related to their holding of altruistic belief, but . . . inversely relate[d] to engagement in altruistic behavior" (p. 171). That is, the more religiously mature these adolescents became in their personal devotional lives, the more likely they were to consider it a virtue to help others, but the less likely they were actually to help others.

There was an extreme example of this phenomenon in ancient Jerusalem. As members of the fledgling church flirted with a form of Christian communism, the whole group forsook private ownership of their possessions and held everything in common (Acts 4:32 [New Revised Standard Version]). A couple named Ananias and Sapphira got swept up in the fervor. They professed great devotion to their new religious tradition and wanted to prove the depth of their faith to others. But they could not bring themselves to give all their possessions to the group, so they told everyone they had done it, while they secretly retained their possessions. Both died of shock when they were found out (Acts 5:1–6).

Their behavior reflects the characteristics social psychologists would identify with intrinsic religiosity. As Rigby and O'Grady noted, "the intrinsic orientation seems to reflect only an increased concern for looking good in society's eyes, for showing the world that one possesses the concern, compassion and tolerance religion advocates" (1989, p. 732). Since there was not an expectation or requirement to give all their goods to the group—seeing that very few other early Christian groups followed this practice—Ananias and Sapphira could have kept their goods. The only other explanation is what Rigby and O'Grady attested of intrinsic religiosity.

Ji et al. (2006) link Evangelical Christians to the intrinsic orientation as well, though not to such an extreme extent. Doctrinal emphasis in Evangelical theology can account for part but not all of the apparent inconsistency the researchers found between the beliefs the adolescents held and their actions in this study. Evangelical theology teaches that the primary act of altruism Christians should offer is not one-to-one direct aid but sharing the gospel with others. They believe they find support for this teaching in Jesus's own words. The resurrected Christ issued his great commission to carry the good news of God's grace throughout the world to make disciples of all nations (Matt. 28:16–20). American Evangelicals have made this charge their central mission as Christ's church. All other charges are subordinate to it. As such, Evangelicals do not see care for the poor as a good in itself; it must lead to evangelism. This conviction might explain why Christians with an intrinsic orientation tended to remain with the victim longer in Batson's studies. Service of the poor is merely one part of a broader mission to share Jesus's message with others so as to make disciples of them. The core of their theological premise gives it an intrinsic orientation, if not hints of an extrinsic one. Their tradition is by no means opposed to direct service, but it subordinates that service to saving souls (Thielicke, 1962/1980). On this basis, their theological presupposition may skew the results of the religiosity orientation studies on Evangelicals, since doctrinal maturity in that tradition tends one more toward evangelism than toward direct service.

Quest Orientation

This doctrinal bias might also explain some of the ambiguity Batson and Ventis (1982) found in their study on the intrinsic orientation within Evangelical populations. Their results were clearer and more promising when they separated intrinsic religiosity from what Batson called a *quest orientation*. Their findings on intrinsic religiosity were consistent with what they had seen before; however, Christians with a quest orientation—those who are more open-minded and freer to question their religious traditions tended to show less prejudice than Christians from the other religious orientations showed. They also tended to be quicker to offer initial help and to ask more questions of the victim in distress than Christians from the other orientations did. On the other hand, Christians with a quest orientation tended to cease their helpful behavior as soon as the initial crisis was over, whereas Christians with an intrinsic orientation, when they offered their help, tended to stay with the distressed victim longer after the crisis had ended (Batson, Schoenrade, & Ventis, 1993).

Rigby and O'Grady (1989) confirmed Batson's initial findings in their own studies. Batson's quest orientation may provide one key to understanding the relationship between religion and the altruistic impulse. Indeed, Batson was nearly ready to go as far as to equate the quest orientation with universal and nonjudgmental compassion (Batson, Eidelman, Higley, & Russell, 2001) until Goldfield and Miner forced him to tone down his enthusiasm. They supported Batson's observation that Christians with a quest orientation were "more likely to help across a broad range of situations," but they also showed the limits of quest-driven openness, noting that the quest-oriented Christians showed resistance to or prejudice toward religious Fundamentalists, even though they were open to most other traditions (Goldfield & Miner, 2002).

Liberal theologian Walter Rauschenbusch (1907/2007) characterizes the quest orientation. During his ministry, he rejected attempts from Social Darwinists like Andrew Carnegie (discussed below) to address the needs of the poor primarily on the institutional level. Likewise, he rejected the focus on personal salvation rather than on direct service and social reform that he saw from Evangelical traditions. Rauschenbusch was open to other faith traditions—as long as they preached the primacy of direct service to others. He thought Christianity could remake society by substituting love for selfishness, as Jesus did on the cross. He was aware this pursuit would require Christians to reorient themselves from viewing their religious lives from the perspective of individual salvation to viewing them as a charge to build a new society, the Kingdom of God. As Rauschenbusch saw it, Jesus's concern "was not the new soul, but the new society; not man, but Man" (p. 50).

Rauschenbusch (1907/2007) struggled against the social and economic structures that bind humanity in a cycle of domination and subjugation. To him, this cycle parallels the doctrine of original sin. It is a social structural sin, into which we have all contributed. At its center churns *laissez faire* market capitalism, which draws the poor under its wheels, as if by centrifugal force. The only antidote to these structural sins, Rauschenbusch argued, is selfless love, manifested in direct service to the poor, for the good of society as a whole. This antidote is best achieved in solidarity with the poor and oppressed, serving them and working for justice on their behalf.

America's liberal Christian denominations moderated Rauschenbusch's "social gospel" somewhat by reaffirming the power of sin, or egoism, in our lives and by expressing the need of personal as well as social redemption *among a plurality of religions*. The ambivalence of striving for both personal and social redemption among a plurality of religions might explain data from the 2008 Pew Report that fully 83% of mainline Christians were reluctant to speak of their religious tradition as the only true religion. That reluctance might also explain Batson's observation that quest-oriented Christians seem hesitant to affirm a set body of religious beliefs (Batson & Ventis, 1982).

That reluctance has not diminished liberal mainline Christians' emphasis on the centrality of direct service they find in Jesus's teachings on the Kingdom of God. Jesus commanded his disciples to care for those who do not have the resources to care for themselves. He added the crucial caveat that those who help the poor would enter into the Kingdom of Heaven:

> Come, you that are blessed by my Father, inherit the kingdom prepared for you from the foundation of the world; for I was hungry and you gave me food, I was thirsty and you gave me something to drink, I was a stranger and you welcomed me, I was naked and you gave me clothing, I was sick and you took care of me, I was in prison and you visited me. (Matt. 25:34 36)

In this lengthy passage, as Rauschenbusch had noted, there is no mention of a body of knowledge one must possess or of doctrinal purity; there is only a command to care for the poor. Following Jesus's teachings on the Kingdom, liberal mainline denominations have taken on the causes of the poor and defenseless as their central mission as Christ's church.

Beginning with an Evangelical resurgence in response to liberalism and the social gospel, conservative denominations—with their emphasis on evangelism—have seen significant growth, whereas the liberal mainline denominations—who do not share the same emphasis on evangelism—have experienced a sharp decline in numbers. Those trends have intensified over the past decade (Pew Report, 2008). "The result for charitable activities has been mixed," Robert Wuthnow (1990, p. 18) noted. "Liberals have continued to work for social justice and broad humanitarian concerns; conservatives have focused efforts on evangelism, missions, and family issues; and competition between the two factions has sometimes invigorated both" (p. 18). Yet the competition has tended to drain both groups of resources and to deplete liberal mainline denominations' numbers.

Secular Religion and Altruism

Rauschenbusch came onto the scene during a time when urbanization and industrialization had ravaged American societies and had left untold thousands poor and destitute. Following the lead of the Young Women's Christian Association (YWCA), the Young Men's Christian Association (YMCA), and the Salvation Army, Rauschenbusch pushed direct service to the poor and resistance to the industrial machine that had created the crisis in his attempt to resolve the problem. But theirs were not the only voices working against poverty; theirs was not the only strategy.

Social Darwinist (positivist) and industrialist Andrew Carnegie argued against advocates of direct service that it merely creates a welfare society. "One of the serious obstacles to the improvement of our race is indiscriminant charity" (Carnegie, 1889, p. 662). He was convinced that human society had come to a crossroads in its evolution and that it was the responsibility of "men of means" to flourish the institutions that could lift and inspire human society into a new bloom of prosperity and cooperation between employers and their employees. "The best means of benefiting the community is to place within its reach the ladders upon which the aspiring can rise—parks, and means of recreation, by which men are helped in body and mind; works of art, certain to give pleasure and improve the public taste, and public institutions of various kinds, which will improve the general condition of the people" (p. 663). Social psychologists will find it challenging to categorize Carnegie's religious orientation, which seems to be an admixture of extrinsic (he liked to see his name on buildings) and quest (he was open to any perspective that helped him move his philanthropic industry along, but he was utterly closed to notions of direct service).

Alongside—and sometimes in competition with—the likes of the Rockefellers, Carnegie (1889) followed the best practices of science and industry to modernize philanthropy with "scientific" efficiency by means of foundations. "The best minds will thus have reached a stage in the development of the race" (p. 664), he argued, where they could clearly see their function was to put their excess wealth to use for the common good. The ultimate goal of scientific philanthropy, he firmly believed, was world peace, a lasting testament to this penultimate stage of human evolution, in which Carnegie and other "men of means" would build the infrastructure for a lasting peace.

Carnegie's religion was a form of scientific humanism, Comte's positivism, with its complementary foci on living for others and social progress. A religion in every way but the spiritual, it helped Carnegie formulate his own "gospel of wealth," through which he finally understood what he and other people of means should do with their great wealth. It was incumbent on the wealthy to serve as trustees for the poor, administering their funds for the good of the community—far better than the community could have done for itself, he argued. To this end, Carnegie shifted the model for charitable giving closer to a corporate structure, moving it from inefficient and subjective attempts to discern the needs of individuals to a systematic analysis of "the *eligibility* of individuals for assistance" (Hall, 1990, p. 42). Because the stakes are so high, Carnegie warned, "The man who dies thus rich dies disgraced."

Carnegie's scientific philanthropy may have seemed dispassionate, as he scrutinized people and programs as if they were investment vehicles (Hall, 1990), but his understanding of philanthropy mimicked the business world he already knew. Perhaps the comfort level he found in philanthropy as another industry explains the draw his scientific philanthropy had on the Rockefellers, even though they had been devoted to the social gospel of Rauschenbusch. They understood how to build wealth through industry, so they could use the same model to give it away, seeking the same levels of calculable results they sought in industry. This approach permitted them to see on a ledger sheet of inputs and outcomes what their wealth had accomplished in ways direct service could not.

Today, Warren Buffett and Bill and Melinda Gates seem to have taken hold of the same scientific approach to philanthropy. Based on comments Buffett and Bill Gates have made about their religious inclinations in the past, they may also share some level of the secular humanism found in Carnegie. But, more to the point, their wealth is too vast for them to get caught up in direct service, so they have built foundations that focus on the meta-issues, the major social and institutional problems that only vast wealth can tackle. Agencies who approach the Gates Foundation for funding should expect to produce a ledger showing inputs and outcome expectations.

Love and Altruism

Carnegie's mode of altruism would never meet the definition of *agape* that philosophers and theologians bandy about, as if philanthropy is only valid if it shows no hint of self-interest. Agape, selfless and unconditional love, is an ideal that few can hope to attain more than a few times in their lives, precisely because many scholars believe this absolute form of love must be sacrificial without being introspective. Commenting on altruism, which he defined as a selfless act of agape, love for the benefit of another, Colin Grant argued that the act must be spontaneous and unintentional to be authentic. "Unintentional altruism is most natural for the transcendent sponsorship of the religious level, where we are delivered from ourselves" (Grant, 2001, p. 248). As he saw it, we diminish the validity of our agapic acts the moment we reflect on them, because any reflection on them invariably brings self-interest into the blend. At the moment of introspection, according to his understanding, it ceases to be true altruism.

It is difficult to know how far one can push Grant's view, since the premier theological exemplar of agape is Jesus who willingly and with due introspection at Gethsemane sacrificed himself for humanity. It was Jesus, after all, who commanded his followers to love their neighbors as themselves (Matt. 22:39). Jesus used the same verb here that he had used when he commanded his followers to love God (Matt. 22:37). The agape, or love, of which he spoke is normally selfless and unconditional, but it is also reflective, and it can be directed at the self. There are times when this love demands introspection, as it did prior to Jesus's supreme sacrifice. Introspection does not always lead to selfishness. So it seems that there comes a point at which the *concept* of agape has outgrown the highest expressions of it.

Grant is correct that acting with authentic agape in ways that are truly selfless and unconditional is difficult for us. The Apostle Paul thought it was nearly impossible, because our wills—the internal center in each of us that governs our choices and actions—are bound up in the appetites of our senses (his version of egoism). His insight is consistent with the findings of evolutionary biology that our bodies as biological organisms work continuously for self-interest. "I find it to be a law that when I want to do what is good, evil lies close at hand. For I delight in the law of God in my inmost self, but I see in my members another law at war with the law of my mind, making me captive to the law of sin that dwells in my members" (Romans 7:21–23). Self-interest is always close at hand, and it can diminish the good we want to do.

However, Paul does not rest agape on the human will, where the appetites of our senses can control them. Agape and the altruistic acts that move through it are spiritual qualities, which are bound up in God's grace. According to Paul, grace gives humans the capacity to transcend selfish impulses. Wuthnow identified this capacity as "a higher state of existence" and a "qualitatively better orientation." Grace is "a power that operates in distinct opposition to the natural self-centeredness of humanity in its fallen condition" (Wuthnow, 1993, p. 346). What theologians call human *fallen condition* parallels what evolutionary biologists would call, more simply, the uninhibited biological drive for survival and self-interest. Through the transcendent power of grace, true altruism, an introspective act of selfless love is possible.

All the same, agape might not be the best standard for studies of the altruistic impulse. If our best explanation of the altruistic impulse at this time hangs on our understanding of empathy and on a religious orientation that resembles Batson's quest orientation, future research in this area will need to rethink how human love influences, or at least describes, human altruism. The debates over the character of *eros*, or "desire," have contaminated that term sufficiently that it is useless for studies of altruism, even though eros may well explain many benevolent actions. On the other hand, *philia* (φιλια), which we typically define as "brotherly love," shows promise.

According to Gerhard Kittel, "Φιλια . . . means the love which embraces everything that bears a human countenance. . . . It is not an . . . intoxication which overcomes man, but an order or task which he may evade" (Stauffer, 1964, p. 36). Kittel expands the definition elsewhere: Philia represents the characteristic of "sharing in the lot of a friend, especially when it is hard. . . . [Philia] means service, concern, and sacrifice even to the point of life itself" (Stählin, 1974, p. 161). In philia, we have a theological term that may roughly approximate what Batson et al. labeled the quest orientation. Philia is an order of love that we may evade, yet it prompts us to act for another's benefit, even though that act could mean the supreme sacrifice.

Philia does not require complete selflessness, yet it is always other oriented and seeks what is best for the other. Like agape, philia reflects a willingness to sacrifice one's needs, even one's life, for another. It is the word Jesus finally settled on when he asked Peter three times whether he "loved" him. When Peter answered that he did love (philia) him, Jesus charged him to feed his sheep (John 21:17). At its heart, the word *philia* implies an active orientation toward others.

Social psychologists have shown that one key to understanding the altruistic impulse might be human empathy, a quality reflected in philia in ways agape does not reflect. Perhaps this aspect of philia explains why the ancient

Greeks coined the word *philanthropy* rather than *agapanthropy*. Both words were possible, but only one of them includes the aspect of empathy—what ancient Greeks called *sympathy*—to express such a lofty virtue. The ancient Greeks were less concerned with unintentional self-interest than they were with interest in others and with the capacity to identify with other peoples' emotional states. Philia gives humans a sense of kinship or "friendship" with people we may have never met.

It gives humans a stake in the good of the *polis*—the "public good." *Philia* comprises in its root meaning the two general principles Payton and Moody (2008) suggest are crucial to determine whether an act serves the public good: (1) The act relieves the suffering of others "for whom one has no formal or legal responsibility," and (2) it improves "the quality of life in the community, however one defines that idea" (p. 28). The question of incidental self-interest is unnecessary to the debate, whereas empathic kinship with the unknown other and the desire to improve one's community stand at its heart.

Under most circumstances, our other-oriented benevolent acts will be mingled with self-interest, and they will still be philanthropic, unless self-interest becomes the dominant interest. Recent data suggest that Americans are becoming increasingly narcissistic, so they may "have neither the motivation to become involved in charitable activities nor the familiarity with needs and opportunities for involvement" (Wuthnow 1990, p. 19). The 2008 Pew Report shows a corresponding demographic shift among Americans under the age of 30 from their affiliation with an organized spiritual tradition to unaffiliation, agnosticism, and atheism that could explain this trend.

If Haidt (2007) is correct that the moral systems embedded within our religious traditions evolved to suppress or regulate selfishness to make human life within societies possible, the numerical losses experienced by our nation's religious institutions, which carry our moral systems, could have serious prosocial implications for an entire generation of Americans. Among other things, our religious traditions (spiritual or secular) are the rehearsal stage for human empathy and other prosocial behaviors. Without the ready influence of these institutions, we have fewer means to inhibit our selfishness and fewer opportunities to rehearse prosocial behaviors in community.

Anecdotal evidence suggests that many of the young Americans who have shifted away from organized religious traditions could be gravitating in large numbers toward their own antisocial and egoistic in-groups, bound once again to the laws of self-interest and biological survival in competition with all other groups. Perhaps we see in this shift of orientation what sociobiologist Samuel Bowles (2006) meant when he argued that group-selection theory among humans works better when the groups are in open competition. Then altruistic acts, such as food sharing within groups, could have a broader effect. So many members within these groups find themselves as "couch surfers," moving among friends to meet each other's most basic needs. Members of these groups care for each other to ensure the survival of the group, but they show little interest for the needs of nongroup members.

Future research on the human philanthropic impulse will need to test the anecdotal evidence seen in the rise of gangs, in their apparent in-group altruism, and in the implications of the rise of gangs and other, more loosely knit groups, which try to bind themselves to more altruistic lifestyles. This study must be in search of remedies to repair a social tear that could be riding a phenomenon of global overpopulation. The search for remedies will require the best efforts of evolutionary biologists, social scientists, philosophers, and theologians working in unison and with less concern for disciplinary turf boundaries.

In the meantime, the results from two recent studies shine a small ray of hope on our subject, as they offer some concluding insights into the altruistic impulse: (1) The 2001 Independent Sector report showed that 71% of all Americans who volunteered in the year 2000 *had been asked to do it*, whereas only 29% of all Americans who volunteered that year had not been asked to do it. There is an important equilibrium between egoism and altruism within us: Sometimes, we want to know that others value our capacity for philanthropy enough to ask us to help. (2) The same study shows that Americans who became involved with giving and volunteering before the age of 18 maintained that involvement into adulthood. Considering the number of public and private schools that have begun to require service learning and to offer service opportunities to young students, this trend shows promise (Independent Sector, 2001). Finally, (3) a 2008 Gallup poll showed that Americans who volunteered for at least one charitable cause gave significantly more money to charitable causes than those who have never volunteered (Saad, 2008). The complementary tasks appear to reinforce one's philanthropic impulse to engage in the other. The key may be to ask others to volunteer.

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THE CHARITABLE SPIRIT

Tapping Into Altruism to Achieve the Nonprofit Mission

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While altruistic behavior and nonprofit mission need not be opposed, a definition of each is needed to reveal the differences so that a better understanding of collaboration may emerge. To begin with, altruism is a behavior, and nonprofit mission is the expression of a structure within society that exhibits certain behavior. The present chapter is to show that altruism and the nonprofit sector must be understood independently to better understand the collaboration or, put another way, how altruism may be tapped for nonprofit missions.

Altruism may be defined as unselfish behavior that seeks the good of the other as of primary importance and ahead of personal interests. It may be individual or collective in nature, meaning it may involve the actions of one individual, those of a group, or society as a whole.

A nonprofit organization on the other hand is a societal entity that has certain characteristics that clarify its role in a culture. One of the primary characteristics is the fact that profits within the not-for-profit organization are not distributed to stockholders. Overall, there is the perception that a nonprofit embodies behavior that focuses primarily on the public good rather than individual or corporate gain.

This definition may be too broad because governmental structures and for-profit structures (i.e., private business and corporations) may also claim to seek the common good. Yet the nonprofit is not a public entity and is not primarily responsive to the impulses of market forces (i.e., profitability). In fact, nonprofits are often seen as intermediary organizations that operate at the boundaries where market and/or government have failed. It is where producer and consumer cannot meet equitably. Therefore, the presence of soup kitchens, homeless shelters, and other charitable agencies and organizations fill the gaps in society left by this particular failure that is not met by capitalist means or governmental provisions.

In "Part 1: The Nature of Altruism," there will be a closer examination of a behavior understood in terms of various motivational factors. Different perspectives reveal different understandings of altruism as an end in itself, a means to another end, or a by-product of other behaviors, forces, or institutions. "Part 2: The Form of Altruism" will explore ways in which altruism as understood will be a resource for nonprofit organizations. It will take into account various ways in which the nonprofit mission may be enhanced by a proper understanding of some of the complexities of its motivation and character.

Part 1: The Nature of Altruism—Perspectives on Altruistic Behavior

Religious and Philosophical

All major religious traditions have provisions for behavior that is altruistic in nature. Each tradition has within it a set of beliefs and moral guidelines for living individually and within the larger community. Whether it is the *Bhagavad Gita*, the Koran, or the Hebrew or Christian scriptures, each presents instruction on living.

Western cultures have been dominated by the Judeo-Christian heritage with a growing influence from the Islamic tradition. All three have a common source tracing their beginnings to the faith exhibited by Abraham. It is at this juncture that the tradition puts great emphasis on the social nature of behavior. The reason is simply that as a nomadic people, social cohesion is of the utmost importance, and therefore, individualism is limited in scope and importance.

Altruism, though understood as the will of God to care for thy neighbor, had a very practical purpose. Here social cohesion is critical, because the strength of the weakest link may well determine the survival of the group. Within the Jewish tradition, altruistic behavior is represented by the Year of Jubilee. This celebration is based on the forgiveness of debt and the release of slaves that are to occur every 7 years and every 7 cycles of 7 years. This is corporate altruism, once again, seen as the will of God but also having a practical benefit to the society as a whole.

Within the Christian (New Testament) tradition, altruism is given a new twist. Through the teachings of Jesus of Nazareth, selfless behavior and love are measured in terms of self-love, therefore the command to love one's neighbor as oneself. Yet such behavior is not always self-reflective, for example, in the command to turn the other cheek or to go a second mile when only one mile is required. Here, altruism is not based on an egoistic sense or regard for the self but rather focuses simply on the need of the other.

The third great Abrahamic tradition is that of Islam. It formally emerged later than Christianity and follows the teachings of the prophet Mohammed. The tenets of the Islamic tradition are embodied in the Five Pillars of Faith. One of these five is the practice of almsgiving. It is an obligation for Muslims and is based on the requirement to give away a portion of accumulated wealth. Once this requirement is satisfied, there is a continued emphasis on giving, which is not a matter of obligation but is left to the discretion of the individual and is voluntary.

While the Buddhist tradition is traced back to Siddhartha Gautama, the Hindu tradition has no specific founder. Both, as Indian religions, have a component of religious living and behavior called the *dharma*. Here, as in the religious traditions previously mentioned, is an emphasis on altruistic behavior embedded within a philosophical cosmology. A central tenet of this understanding of the cosmos is the recognition of the reality of suffering and the human need to both recognize and seek to bring an end to suffering.

These religious traditions share a common concern for the individual or group as an end in itself. By contrast, the ancient philosophical tradition is more complicated as the sharp edges of means and ends are not as distinct—this blurring seen in the master works of perhaps the greatest of the Greek philosophers: Plato (428–348 BCE). Born to a wealthy family at the end of the 5th century BCE, he was both a student of Socrates and teacher to Aristotle. In Plato's masterpiece, *The Republic*, the state is elevated above the individual; therefore, the other as a target of altruistic behavior—unlike in religious traditions—is secondary. This is not a result of simply placing greater value on the society but arises from an undemocratic view of the Republic itself. Plato, coming from a well-to-do family, kept the hope of the aristocracy alive and hopes for a city-state led not by the masses but by the elite, and for Plato, that meant those specifically gifted and trained as philosophers.

While Plato's student Aristotle directs his attention to moral behavior in *The Nichomachean Ethics,* he too places greater emphasis on the good of the state ahead of that of the individual. Again, altruistic behavior is seen in the context of the common community.

The question of altruistic behavior as an end in itself, a means to an end, or a by-product of other behavior will continue throughout history and across disciplines. Different perspectives may also arise within a single tradition. Aristotle, for example, set happiness as the central goal of life. Altruistic behavior may be interpreted as taking part in this quest for happiness. There have been times in history where a curious blending of traditions has provided new ways of examining personal beliefs and understanding behavior. During the Middle Ages, it was Thomas Aquinas, called the father of Catholic theology, who placed his *Summa Theologica* within a framework based on the philosophy of Aristotle and its emphasis on human happiness. Here, we find a strange combination of religious and philosophical traditions.

The idea of altruism as being directly or indirectly focused on the other or the neighbor and as an end in itself or a means to another end changes through history depending on the social, religious, and cultural realities of the day. With the collapse of authority occurring within the 18th century, in particular with the American and French Revolutions, a new age dawned. It was the Enlightenment. Philosophically, it reached its apex in the thought of Immanuel Kant. His masterpiece, *Critique of Pure Reason*, carefully examines the boundaries or limits of reason itself. This leads to other major works: *Critique of Practical Reason* and *Critique of Judgment* where issues of morals and taste are explored—all within a rational framework.

Kant, in the *Critique of Practical Reason,* explores altruistic behavior and morals as the reasonable result of one's sense of duty. It is not linked to personal goals or happiness but rather is part of his philosophical system based on the very nature of reason. He first begins to explore his concept of this moral attitude in *Groundwork for the Metaphysics of Morals*, which leads to one of his most famous maxims: the categorical imperative that we should act as though our action would become a universal law. Again, the devotion to altruism as an end itself is restored as a matter of both individual and social responsibility. This is obvious in the U.S. Declaration of Independence's holding truths that are self-evident regarding the sanctity and rights of all human beings regardless of race, class, culture, or belief.

Scientific/Behavioral

The Enlightenment planted seeds spawning modern scientific endeavor and discovery. One of the most significant works is that of Charles Darwin, who in 1859 published *On the Origin of Species*. This work emphasizes a common ancestry of all living things, which, besides its religious implications in questioning the nature and timetable for creation, has a profound effect on understanding the nature of human behavior. Specifically, introducing the concept of natural selection creates controversy with regard to altruistic tenets and beliefs. Natural selection, presented before the discovery of genetics, posits how individual traits that are favorable to species survival are passed on to succeeding generations.

The implications of such a concept continue to unfold. One of the most controversial refers to social engineering and is directly related to altruism. If altruistic behavior is directed to those in need, it stands to reason that many of those considered less fortunate by circumstances or their own behavior would be considered less robust than others in the culture or society. From a natural selection perspective, such individuals possess traits that weaken rather than strengthen the species. Therefore, considering the good of the group, in this case the species, altruistic behavior may be discouraged.

Another challenge comes with the birth of psychology and its various branches where Darwinian influence on behavior continues to be felt. Sigmund Freud, as the father of psychoanalysis, and his followers understood behavior as a combination of instinct and unconscious drive. As a result, study of altruistic behavior when reduced to components of traits and instincts begins to lose its motivational capacity. After all, if the human is no more than a bundle of instincts and drives at one extreme or an automaton at the other, what is the nature of motivation for altruistic behavior?

In 1937, the psychologist Gordon Allport published an article titled "The Functional Autonomy of Motives." His purpose was to argue that while instinctual drives were active, personal motives had a great and lasting impact on behavior. The study of motivation continues to be of primary importance in understanding general behavior and altruistic behavior in particular.

Modern genetics has brought a further confirmation of Darwinian theory. Having given genetics an anthropomorphic title in his work *The Selfish Gene*, Richard Dawkins (2006) looks at altruistic behavior strictly as a behavioral phenomenon, and as his title suggests, his lowest common denominator for natural selection is the gene.

What becomes of interest for our purposes is Dawkins's excursion into the area of social phenomenon that plays a part in the process. His discussion of cultural practices and ideas, or memes, has provided a new area of study, one closely paralleling that of social psychology and sociology. A particular development in the understanding of altruistic behavior has come with *game theory* as reflected in the writings of Dawkins and others such as Robert Axelrod in *The Evolution of Cooperation*. Again, the discussion of game theory in its different formations (e.g., *prisoner's dilemma*) examines implications of the combination of different behaviors that vary in terms of selfish and selfless behavior in anticipation of the responses of others. Therefore, in one scenario, the altruistic or selfish behavior of an individual will be guided by the expectation of the behavior of another. With the use of computer programs, various mathematical models have looked at this phenomenon as it plays through a series of decisions made over time. It has provided a better understanding of the effect decisions have on the behavior of individuals as applied to organizations, institutions, and states.

Part 2: The Form of Altruism: Social Structure's Effect on Altruism

Social Structure

The effects of evolutionary theory continue to be far-reaching. While altruism to this point has been treated by and large as an individual phenomenon, this microperspective expands in the 19th century, taking on a different form and perspective. It is with the birth of sociology that this paradigm begins to frame social behavior. As the development and evolution of species began with Charles Darwin, it expands beyond a biological paradigm to a social one with the work of Herbert Spencer.

It is with Émile Durkheim (1858–1917) that social facts are treated as social realities and society itself as an organic entity. His most famous work in this area is *The Division of Labor in Society* (1893). It is here he makes a separation between the solidarity of societies in the past and those of the present. The former were defined by social bonds and common interests, which Durkheim identified as mechanical in nature. In the 19th century, these bonds change with, among other factors, the division of labor, which gives a specialized function to members of society where he refers to the bonds of solidarity as organic. It is the welfare of the whole that is important because integration and cohesion define the nature of society itself. Durkheim went on to write *Suicide* (1897/1951), which links suicide inversely to social integration where altruism may involve sacrifice of the individual for the larger group.

It is Max Weber (1864–1920) who explores the rational structure of society as a means of carrying out social action. For Weber, bureaucracy was the end result of a legal, rational society. Altruism is an indirect result of the motivation stemming from religious convictions and ideals particularly within the Protestant tradition. His work, *The Protestant Ethic and the Spirit of Capitalism* (1905), identifies the mutual interdependence between the Protestant religious tradition and the economic realities of individual prerogatives that define capitalism.

Institutional Structures

While philosophical, psychological, and sociological theories debate the nature of altruism from the standpoint of motive and form, it is within institutional structures that altruism is embedded and/or excluded. Within most forms of government, the motivation for altruistic behavior is prescribed as a requirement of law. Governments have some type of requirement that makes provision for others that is to some extent sacrificial in nature. The system of taxation is the most obvious example and in the United States provides for different forms of social welfare. There are some who benefit from their own contributions: those who pay taxes and receive direct benefits (e.g., direct government subsidies). These are private benefits. Public benefits on the other hand are distributed equally but are independent of the level of personal contributions (e.g., a local police force or the military). The nature of government provisions and their interpretations may make a great difference in the resulting altruistic behavior of individuals and groups within society. There is more on this later.

A second form of altruistic behavior is evident as a byproduct of economic activity. This is witnessed in for-profit activity and outlined in the work of Adam Smith in *The Wealth of Nations* (1776). Smith believed a market system based on supply and demand is a force that regulates behavior and is based not on altruistic behavior but on self-interest. Members of a society perform best individually if and when they pursue their own interests. In the end, this individual behavior through the natural workings of the market or by an invisible hand benefits not simply the individual but society as a whole. With Smith comes the advent of economics as a discipline and with it an understanding of altruism as a by-product of self-interest.

The nonprofit sector, or third sector, also has a place within the provision of social benefits. One of the primary tasks of the nonprofit organization is to act as an intermediary in instances when there is government or market failure. Often, it is the nonprofit sector that is able to move among and between the other sectors. It shares connections both with the public and for-profit sector. As with government, it is to provide benefit for the common good. Yet as with a for-profit, the not-for-profit organization must operate as a business, for its function depends on supply and demand for its services.

The structure of the nonprofit sector has a unique place in the history of the United States. Perhaps the most insightful analysis of America in its infancy came not from an American but rather a Frenchman—Alexis de Tocqueville (1805–1859). Tocqueville came to the United States from his native France in 1832 to study the American penitentiary system. The result of his trip was the publication of his masterpiece *Democracy in America* (1835, 1840/1994) in two volumes. It is through his travels around the fledgling nation that he notices the strong effect of individualism and the pursuit of self-interest. Yet there is a difference. He notices a strong tendency within communities to gather together and establish associations. The association is an independent organization that along with religious institutions gives birth to the nonprofit sector. Here, self-interest, rightly or properly understood, provides the insight that one's service to others is also essential to one's self-interest. In fact, it is through associational meetings that goods and services may be better distributed. Also, the authority of the government is less centralized but distributed more equitably throughout society. Tocqueville believes that these associations are not only beneficial but also critical to the proper functioning and flourishing of a democracy.

Understand the Organizational Polity

The Downside of Selflessness and the Upside of Selfishness

The first point to be made is that selfless behavior is not always the only means for mission. In some cases, it may impede the goals of the organization. And that is why not only the nature and mission of the organization but also the environment in which the organization operates must be recognized and understood. No organization exists in a vacuum but rather succumbs to influences and forces within and beyond its walls, circumstances within and beyond its control. A rational evaluation is needed before the altruistic impulse is tapped. This both looks for an understanding of the organization systemically within a larger system and also avoids sentimentalism as the only motivator for altruistic behavior.

Let us take the example of a nonprofit that makes low-interest loans to those in need. An example may be the Grameen Bank. The sentiment of altruism may lead an individual to provide a loan based on emotional considerations. That is, those with the most compelling story may receive the least restriction on their loan. To take it one step further, the guidelines and rules of this nonprofit would be superseded by the emotional state of the donor in charge. It is obvious the results would most likely be catastrophic. We know that economic demands place responsibility on a rational deliberation in establishing rules and a faithful objective adherence to those rules in order for the organization to function. Otherwise, the bank fails, and no one is helped. Here, the altruistic impulse is tempered by a greater goal objectively established.

If altruism by definition must be a self-sacrificial act, where one must give up something for another to gain, then its effectiveness will be reduced. Over the years in the United States, one aspect of charitable contributions is favorable tax benefits. Whether it is a tax credit or exclusion, the point is that these economic factors may be motivators for personal giving. The recipient's benefit does not need to be proportional to the donor's cost. Again, how one defines altruistic behavior will have an effect on the decision to contribute time or talent to a particular endeavor. Therefore, to take a phrase from Tocqueville, self-interest, rightly understood, may again apply. Altruism, well understood, may indicate the recipient's gain does not necessarily require the donor's loss.

Egoism and Altruism Are Not Mutually Exclusive

In the previous example, a single nonprofit organization is considered. It is viewed from a motivational perspective that is kept in check by a rational understanding of the nonprofit and its environment and also the mission and goals of the organization. Such scenarios are not uncommon considering nonprofits and altruism by definition seek to provide for public welfare.

While the for-profit institution by definition seeks the benefit of stockholders, its goals may seem removed from altruistic endeavors. Again, the issue here is not only the direct mission of the organization but also the benefits it provides. These benefits may, under certain circumstances, meet the needs of for-profit and nonprofit or, simply put, the egoist and the altruist.

Cross-sector collaboration provides examples of such a process where egoism and altruism are not antithetical but mutually beneficial. In 2000, James E. Austin at Harvard University published *The Collaboration Challenge*. Austin's focus is on collaborations that bridge the nonprofit and for-profit sectors. While these collaborations vary in depth of relationship, Austin recognizes three different types of partnerships: philanthropic, transactional, and transformational. The nature of the partnerships ranges from simply providing a gift (philanthropic) to establishing mutually beneficial interchange (transactional) to forming mutually beneficial organizational change (transformative). What is important is that self-interest properly understood has the potential for not only satisfying the mission of each organization but also (in some circumstances) for providing a transformation that is greater than either organization would achieve by itself. For the latter, he provides the case of a collaboration between Georgia Pacific, a forest products company, and the Nature Conservancy, one of the largest environmental organizations. What makes this case interesting is the fact not only that the organizations are from different sectors but also that the two organizations seem to have opposing purposes and missions.

The point is that altruism, if it is narrowly defined, will be self-limiting. If the focus is only on behavior that is self-sacrificial in nature and has no interest in personal gain or profit, there will be lost opportunities. Altruism, more broadly defined and properly understood, will play a much better role in the organization's purpose if there is an understanding of its place in the process. Altruism may or may not be the motive to provide altruistic results. This occurs through recognition of the organization's polity and the environment in which it finds itself.

Incorporating the Altruistic Impulse

Altruism Seeks Relationship

Having examined how altruism may function within the mission and organizational structure of the nonprofit alone and in collaboration with other organizations, it is important to look again closely at the nature of the altruistic impulse itself. Thus, as a matter of definition, altruism must not simply be broadly conceived but also deeply understood. Above all else, altruism arises out of human desire. Further, it is a desire or orientation to and for another. Whether the result is impersonal, as in making a donation, or personal, as in donating personal service, the impulse is the same. It simply varies in intensity. The important point is that it seeks a relationship and needs to be personal in nature. Many institutions that seek donor support make a distinction between regular donors and those benefactors who make large contributions. The level of personal attention is proportional to the size of the donation. It is not because there is a qualitative difference in donors but rather because the organization has limited resources, and while giving attention to all donors is not practically possible, attention is given to those who provide large gifts and bring in the greatest revenue. It is not a difference in the nature of the gift as much as it is the use of the organization's resources.

It is important to recognize the altruistic impulse in whatever form it takes. Most nonprofits measure donations and success in terms of financial contributions. The point is that other metrics are also needed to locate and take advantage of the altruistic impulse. A financial metric is important but too narrow to include all the benefits of altruistic behavior. Time and volunteer service are also important measures of contributions that are made to the organization's mission. They, too, are responses to the altruistic impulse and need to be valued in the contribution they make to mission.

Social Capital: The Measure of Relationship

The importance of interpersonal relationships cannot be overestimated. While volunteer activity may be quantified, for example, in giving a monetary value to volunteer time served, human interaction is harder to objectify. Still, sociological literature and political science literature have made use of a term that, while not new, has only come into wide use in the past few years: *social capital*. It refers to the nature of relationships that enable a community or society to function together. It involves the qualities of openness, trust, benevolence, and altruistic behavior, to name a few. It was Robert Putnam's (1995) article "Bowling Alone: America's Declining Social Capital" that drew attention to a phenomenon occurring at the end of the 20th century. This was the discovery that civic associations were decreasing in number and influence—exemplified for Putnam, for instance, in the decrease in the number of bowling leagues since the 1960s. While as many people if not more people are bowling today, there is a reduction in the associational nature of bowling. This and other examples led Putnam to the conclusion that civic engagement is declining in the United States.

The point to be made is that the importance of relationships has been validated with the inclusion of social capital in the lexicons of sociology, economics, and political science. The understanding of altruistic impulses and behavior is shaped by differing perspectives through the centuries. Whether it is identified with the political goals of the state, part of our genetic makeup, a by-product of the quest for happiness, or merely a quality of the capital of relationships, each perspective puts its particular stamp on the understanding of the qualities that define the quest for the common good.

Altruism as Self-Expression and Creative Design

The Charitable Spirit

Up to this point, a rather static view has been taken with regard to altruism. Its operation has been defined in relation to the structure of the human organism, both individual and corporate. We have looked at the structures in society to which it must adapt. As we weave our way through the complexities of social existence, we realize the various ways in which the charitable spirit, the altruistic impulse, may be harnessed and used for the benefit of all.

Throughout this discussion, ideas and paradigms changed drastically. The understanding of human nature changes. The understanding of human communities changes. Our ability to isolate and examine individual components of behavior and motivation increases. The scientific study of behavior with advances in statistical analysis and computer modeling has revealed much about the meaning of human behavior patterns.

Throughout this discussion, what has not changed is the essence of the charitable spirit. It is the same today as it was in the days of Plato's *Republic*. The charitable spirit is found in the Buddha, Abraham, and Jesus. It can be found in corporate America and in small villages in Zimbabwe. It may simply take a bit more digging to find it in the former than in the latter.

The point is, the charitable spirit, must also be considered on its own terms. What is at the heart of the charitable spirit? The first point to be made, which was mentioned previously, is the desire for connection—for relationship. It is connectional in nature, and that is fairly obvious. What is not so obvious is the fact that the charitable spirit is a driving force toward self-expression and creative design. It is important to understand how the spirit of altruism may be channeled according to individual and communal wants and desires, but alone, that misses the organic quality of altruism and its creative nature.

Creative Altruism

The study of altruism and its effectiveness in understanding, predicting, and shaping charitable behavior has been and will continue to be of interest to sociologists, psychologists, and political scientists. The discoveries and insights continue to inform the work of nonprofit organizations. Yet understanding altruism is as much an art as a science, and the balance between the two approaches is necessary and difficult to maintain.

Pitirm Sorokin (1889–1968) was instrumental in establishing the department of sociology at Harvard University. He is responsible as well for establishing the Harvard Research Center in Creative Altruism in 1949. Sorokin was a controversial figure and found no lasting success with his center at Harvard, even though he had many supporters in the area of research on altruism and altruistic behavior, notably Gordon Allport and Abraham Maslow. Although research on altruism continues to be popular today, Sorokin felt a certain prejudice against its study and felt that while crime and hatred were often subjects of objective analysis, altruism and emotive studies on love were considered less robust and not worthy of careful examination.

The creative nonprofit organization is in the position to take advantage of the multidisciplinary research on altruism but is not bound or restricted by any specific discipline. The research itself is a means to an end and that end is the mission of the nonprofit. The link between the research and the mission is the area of creative altruism. That is the area of free exploration and expression.

Altruism as an Aesthetic Process

Understanding the positive determinants of behavior without allowing the expression of that behavior is pointless for the nonprofit. To function, the organization must depend on not only rational determinants of altruistic behavior but also on the emotive elements that drive people to volunteer and serve. This is an aesthetic process, meaning it is grounded in experience. It begins and ends in experience. The altruistic motive, whether internal or external is experienced even if it is the experience of an idea. The response is experiential as well.

It is an expressed impulse, desire, or idea.

If the altruistic response is experiential in nature, then the freedom of expression is critical to the benefit derived not only by the volunteer or donor but also by the nonprofit. The challenge for the nonprofit is to be able to define the mission succinctly enough that it provides understandable and measurable goals and objectives while at the same time is broad enough to allow individual freedom of expression. This is in line with the work of Abraham Maslow and his pyramidal hierarchy of needs, the highest point being self-actualization. This is a creative, as well as an aesthetic, process.

The challenge for the nonprofit is to beware of a narrow view of both its mission and the manner in which that mission can be achieved. Altruism is not only relational in nature but also creative. It is a topic of study but organic in nature. Making use of altruism and altruistic behavior is for the nonprofit both a science and an art.

Summary: Telling, Hearing, and Sharing "The Story"

Altruism by definition is relational. The relationship may be direct, when the donor is known, but also indirect, when the donor prefers anonymity. The point is, in each case, there is a desire to make a connection of one type or another. It is critical that the nonprofit organization recognize, engage, and develop this very human impulse. This is the role of the nonprofit leader whose challenge and charge may be summed up as telling, hearing, and sharing the story. Whether it is a board of directors, volunteers, or donors themselves, the leader needs to engage them all. While each set of constituents has different responsibilities regarding the nonprofit, there are certain characteristics all share in common—most importantly, all constituents are involved because of their commitment to the mission of the organization.

The first challenge is to tell the story. It is not at first the story of the organization; it is the story about those the leader is addressing. They first need to know that their behavior is not simply a matter of doing but a matter of showing forth the fullest expression of what it means to be human. The leader needs to recognize this is primary, that the value of fullest expression comes before any appeals to the needs or mission of the organization. At this stage, it is already assumed there is buy-in to the mission; otherwise, the constituents would not be involved.

The constituents also need to know that historically they stand in good company. This article has been an attempt to show just that—the greatest minds, the most courageous individuals, the greatest leaders have recognized the centrality of altruism and societies and cultures have achieved their greatest success and richness when this fact has been accepted and celebrated. The effective leader can lift up the fact that altruistic behavior is not limited to great minds or courageous leaders but rather is part and parcel of the human experience.

So at first, the leader must appeal to all stakeholders within and outside the organization appealing to each at his or her own place but to all on the same level. Their value is not in how much they contribute, who they know, or what position they hold. Rather, it is an appeal to the common core of beliefs and abilities they share that gives them equal footing and a voice to be heard. And this is the key—creating the environment where they can be heard. So at this stage, the leader is challenged to establish a space of openness and trust where each person is not simply told she or he has a place; each must witness it in the behavior of others, and that is validated by the leader.

The second talent of the nonprofit leader is the ability to hear the stories. So much of the work of nonprofits depends on nonmonetary rewards; therefore, the greatest gift the nonprofit leader may give any constituent is the gift of honest time and presence. Donors, workers, and volunteers have all heard from management. They are told what to do and directed in how to do it, but the importance of worker and volunteer feedback begins to address the importance of listening on the part of the leader. The benefits are many. As a creative enterprise, altruism is developed and strengthened as it is shared—in the act as well as in its recollection. Listening to constituents and stakeholders tell their stories, a leader not only validates their work but also exhibits her or his altruistic behavior—for the leader steps aside out of the limelight and lets others be heard.

That is not all. Such sharing provides not only motivation for others to do the same but also offers new ideas in a public forum that supports the organization. This creates a gift economy where there is no competition because one idea is not valued to the exclusion of another. All too often, this occurs only in a limited way at annual banquets or award ceremonies. An annual event may be costly and time-consuming; thus, the focus is thinly spread to cover recognition, award presentations, fundraising, and reportage. Those events are important, but more important is an ongoing practice where small celebrations can take place throughout the year that allow the telling and listening that engages, inspires, and empowers the organization.

Finally, the leader is responsible for summing up the witnessing of constituents in such a way that the organization itself is perceived as a logical expression of the altruistic impulse. As mentioned earlier, the nonprofit organization is to give structure to the expression of experience. This is the time and the place where the burden of proof is reversed. No longer are the donors, volunteers, and staff called on to align themselves with the organization; instead, the organization is to prove itself worthy of the constituents' efforts. This is a matter of order and alignment. Putting first things first, the leader will value the stakeholder, recognizing the stakeholder drives the organization and not the other way around.

Make no mistake; this is a challenge to the nonprofit leader. She or he will face enormous pressures from all sides with differing concerns and needs from various stakeholders; therefore, he or she will need a variety of skills to address them. As the leader calls others to the centrality of mission through recognition of what is most basic and human, so she or he must remain aware of his or her own motives and impulses that provide meaning and purpose. This, too, can and must be shared with the organization. For some leaders, it may be one of the greatest challenges they will face, but it is the foundation of true and lasting success.

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PHILANTHROPIC MOTIVES

Who Gives and Volunteers, and Why?

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During the past 2 decades, nonprofit organizations have increasingly expanded their roles in dealing with policy problems in areas that have been traditionally left to the function of government, such as health, education, and social services. Among the major challenges these expanding roles present is the need for increased financing and volunteer support. Two major concurrent trends in the United States are attributed to these challenges (Salamon, 2002). First and most importantly, despite the increase in total individual giving over the last several decades, individual giving as a share of personal income has been falling. The percentage of total nonprofit revenues attributed to private charitable giving has been in steady decline from 37% in 1943 to 18% in 1992 (Hodgkinson, 2002, p. 393). This trend of diminishing generosity is a serious concern, considering the importance of individual contributions to nonprofit organizations in terms of sustaining the financial resources that are essential to building strong and healthy organizations. Individual donations account for about 80% of all philanthropic giving compared to corporate contributions, which account for less than 5% (Mathur, 1996). The recent decline in the share of benevolent giving is related to a continuing decline in civic engagement and values in the United States as a representation of people's interest in promoting community and social welfare (Putnam, 1995). Generally speaking, it is now much harder than it has been in the past for nonprofits to obtain support from individuals. This challenge will likely continue, despite the recent surge in volunteering among young people (Hodgkinson, 2002).

Emerging in the early 1980s was a second trend that further intensified the fiscal constraint on nonprofit organizations: market competition from private organizations for government service provision and contracts (Salamon, 2002). The market competition during this period started with a shift in the form of public sector support to nonprofit organizations. As a part of an effort to push forward a policy of fiscal restraint, the federal government funneled aid directly to consumers through subsidies in the form of vouchers and tax credits rather than through service providers, such as nonprofits, in the form of grants and contracts. This change naturally forces nonprofits to compete with private sector entities for consumers in a market that had been traditionally considered their domain (Salamon, 2002). A serious consequence of this new competition led to a sharp decline in market share that many nonprofits enjoyed in fields like health care and social services.

To summarize, the declining trends of nonprofits' financial base, largely due to the drop in personal generosity, public disinterest in civic engagement, and competition for public service provision, have been continuous and have caused widespread concern among nonprofits, particularly in the midst of increasing public service demands. Responding to this challenge, both nonprofit professionals and scholars are increasing efforts to better understand private philanthropic behavior. For nonprofit professionals, this understanding of the behavior offers an important step toward the development of sophisticated fundraising strategies to solicit philanthropic support and promote civic engagement. What is more, a theoretical exploration of philanthropic motives offers intriguing insights into human behavior since it is contradictory to the assumption of classic microeconomics that views human beings as selfish and utility maximizers.

This chapter addresses two important questions. The first question concerns why people give money and volunteer their time. More specifically, why do individuals act against their own welfare for the sake of others? To answer this question, multiple perspectives that are grounded in different academic disciplines are adopted, such as economics, psychology, sociology, and biology. Building on these theoretical explanations of individuals' philanthropic impulses, a second question is addressed that explores the common attributes of individuals who demonstrate these philanthropic behaviors. To identify the likely donors and volunteers, a review of philanthropic research literature is offered. The research explored in this chapter identifies the major determinants for philanthropic behavior, identifying an individual donor's or volunteer's characteristics and background, such as education, gender, religiosity, marital status, age, and income. Finally, this discussion is concluded by summarizing the major findings and offering suggestions for future research.

Why Give and Volunteer?

To start, it is important to define what constitutes individual philanthropic behavior. First, philanthropy entails actions that promote others' welfare (Monroe, 1994). Good intention or well-meaning thought is one of the important components for altruism but is not the defining factor. In other words, positive attitudes toward helping others must lead to actions, in this case, donations and volunteering, to be considered philanthropic behavior. The second important criterion for philanthropic behavior is that philanthropic actions always demand some sacrifice of the actors' welfare, typically in the form of either money or time, on behalf of others (Monroe, 1994). The action that benefits others without costing some of the actor's own welfare is not defined as philanthropic behavior. While the first element is related to an action, the second element describes a motive for the action.

The complete understanding of individual philanthropic behavior, however, would be challenging since philanthropy occurs as the complex form of behavior that is closely aligned with "personality, bursting with idiosyncratic visions, unsupported claims, and deeply held passions" (Frumkin, 2006, p. 253). Private volunteering and motives for giving are personal with multiple purposes and causes (Frumkin, 2006). Accordingly, there are multiple explanations as to why individuals act charitably, ranging from "joy of giving" and "public recognition" to "desire to help the needy" (Mount, 1996).

To reflect the complex nature of private philanthropic behavior, multiple perspectives that are founded on different academic disciplines, such as economics, psychology, biology, and sociology, are adopted. Different perspectives illustrate distinctive aspects of philanthropic behavior. Economic perspectives are associated with individual interests to obtain economic benefits from philanthropic activity, psychological perspectives with understanding individual charitable behavior in complex psychological frameworks that describe the mental status of individuals, and sociological perspectives with emphasizing the social frameworks that define social norms and expectations as a motivation driver for individuals' helping behavior.

Other important variants include evolutionary biology perspectives that emphasize the importance of biological and genetic makeup to explain philanthropic activity, and perspectives of social cognitive perception that focus on social learning to define moral values and standards. Unlike other perspectives that begin with the assumption that individuals serve their own interests, social cognition perspectives start from the assumption that charitable behavior is an altruistic and compassionate act that emanates from an individual's worldview and self-perception in relation to others, respectively (Monroe, 1994).

Economic Perspectives

The main thrust of the economic perspective is to promote economic benefits and material interests through philanthropic activity. Philanthropic activity is considered one of the strategic means to maximize individual utility. *Reciprocal donation*—what is offered in return for charitable actions—is the most important consideration in this perspective. The economic return that donors realize can be "the recognition granted by the recipient organizations in the forms of a name placed on a plaque or building . . . [or] an invitation to serve on an influential nonprofit board . . . [or] an invitation to a special gala celebration" (Frumkin, 2006, p. 261). Other individual economic benefits from charitable activity include the promotion of favorable publicity and stronger connections with customers.

In addition, private philanthropy is promoted through the U.S. income tax system by providing incentives for donors to deduct charitable gifts from their gross income. This deduction is believed to be an effective means to encourage giving. The incentive effect of the tax deduction on giving by individuals is explained by *price* (or net cost) of giving, which is $1 minus the marginal tax rate. For example, the price for individuals who are subject to a 30% marginal tax rate would be 70 cents per $1 of giving. When marginal tax rates are increased, the price of giving decreases, which in turn encourages individuals to make a charitable gift (Clotfelter, 1997). Conversely, the opposite effect can occur when marginal tax rates are cut, thereby increasing the cost of giving. The effect of such a change is historically noted by changes in giving behaviors between the years 1986 and 1987, corresponding with the enactment of the Tax Reform Act of 1986, a measure that essentially reduced the marginal tax rate for itemizers. According to itemized deductions in 1986, charitable giving peaked that year. Researchers attribute this increase to tax-payer anticipation to changes in the tax code, which were to go into effect beginning with the 1987 tax year. Therefore, in 1987, the first official year of the new tax code and the point at which giving became more expensive, giving dropped sharply by 10% (Brown, 1999). In the economic model, Brown suggests that upper-income donors are generally more sensitive to changes in the tax code than lower income donors.

Psychological Perspectives

The principles of psychological perspectives reflect views held by economists who accept self-interest as an underlying premise of philanthropic acts. Psychologists understand the act of helping others as a way to obtain psychic gratification; making others happy brings happiness and pleasure to philanthropic actors in return (Monroe, 1994). Basically, philanthropic behavior is a purposeful action to satisfy psychological and emotional needs. Three major traits that lead individuals to develop helping behaviors are common among philanthropic donors (Frumkin, 2006). The first trait is related to empathy. It involves the ability of individuals to place themselves in others' deprived situations. This emotional awareness of others' needs is possible through imagination and sympathy (Adam Smith, 1976). Such empathy is often highly developed in women, which suggests reasons why women are generally more generous than men (Mesch, Rooney, Steinberg, & Denton, 2006). This will be explained in more detail in the next section.

The second trait is obligation that arises from a sense of duty or moral binding that manifests in individuals as a strong feeling toward helping others. Philanthropic practices are one of the practical forms of expressing such feeling. The last important trait is a prosocial value that refers to the emotional desire to be part of a community and connected to others. Giving or volunteering becomes a means to connect with others who have similar values and purposes and the social networks through which they belong.

Other psychological expectations that individuals hope to meet through philanthropic activity could be career advancement, enhancement in self-esteem, and a deeper understanding of one's community (Clary & Snyder, 1995). Volunteering and giving experiences offer a feeling of reward. Volunteering for charitable organizations can provide experiences that would benefit one's career while giving can offer social contacts that are useful to one's career. Participation in philanthropic endeavors that helps others and promotes a worthy cause may serve to increase feelings of self-esteem and self-worth (Clary & Snyder, 1995). Finally, contributing and volunteering can provide individuals with opportunities to learn more about the cultural life of the community and better understand the world around them (Clary & Synder, 1995).

Social Learning Perspectives

The social learning perspective is a theoretical variant of the psychological perspectives that define individuals as self-interested beings who help others to make them feel good about themselves (Frumkin, 2006; Monroe, 1994). From this perspective, building on studies of social cognition that examine how people process information necessary for social interaction, it can be argued that charitable acts are altruistic and compassionate behaviors activated by individuals' moral standards and values about caring for others' welfare, not from the desire to satisfy personal psychic needs (Monroe, 1994). This ethical system is internalized through social learning by people observing and emulating a critical role model, particularly in early childhood. Education, religion, and parents play an important role for social learning. Specifically, this perspective is well suited to explaining empirical findings on philanthropic behavior, suggesting that the likelihood of being generous to others increases with higher levels of educational attainment, religious affiliation, and positive parental role modeling. In short, the moral and ethical systems built through social learning processes, not the benefits from the action, trigger individuals to act charitably. This altruistic behavior is evidenced in cases where some donors do not disclose their names and maintain a distance from the beneficiary.

Evolutionary Biology Perspective

The biological perspective emanates from evolutional biology that defines helping behavior as a "built-in evolutionary mechanism" to enhance the chance of survival for a group—group individuals have a strong bond based on (1) common community interest or similarity in nature; and (2) kinship, or sharing a genetic pool (Monroe, 1994; Wilson, 1975). Basically, helping behavior is a natural phenomenon to enhance the chance of group members' survival in the process of natural selection.

Engaging in this helping behavior is commonly found in the human and natural world. First, individuals are willing to sacrifice for those who may be needy or sick or people with whom they have close relationships—friends, for example—as well as to forgo their own welfare for the sake of future generations—environmental protection, for example (Arrow, 1972). The second case is evidenced in humans' (and animals') willingness to sacrifice themselves for the sake of their offspring (Wolfe, 1998). One good example is found in informal philanthropic giving and volunteering where individuals donate their money and time to their family, relatives, and close friends without expecting reciprocity.

Sociological Perspectives

The social perspectives viewpoint offers an understanding of private philanthropic behavior as a by-product of social pressure and expectations that occur in social contexts in which individuals interact with others. Individuals are generally expected to follow norms, traditions, and practices defined by social contexts. The failure to conform to social expectations brings about social punishment in the form of embarrassment and negative distinction.

Helping others through charity is not so different from individual behaviors that are subject to social norms (Frumkin, 2006). The failure to give may result in gendering an ill-perceived image of individuals or even embarrassment, particularly in highly socialized settings, such as peer groups, religious organizations, or traditional society.

As much as social punishment pressures individuals to give or volunteer, social rewards play a significant role in promoting such charitable acts. Among the rewards is the expansion of one's social network, as well as access to elite networks. First, philanthropic behavior forges a social tie among donors, the recipient(s), and the community that individuals belong to (Mount, 1996) as well as connects donors who share common interests and a desire to improve others' welfare. This positive interaction is more likely to lead to other social opportunities that share philanthropic work and activity. As to accessing elite groups, charitable giving offers "entrée into social groups and communities that have social prestige, political power, or business ties" (Frumkin, 2006, p. 258). The amount of giving that demonstrates social position and power is often used to determine membership for elite groups.

Who Gives and Volunteers?

Who gives and volunteers? Obviously, it is not easy to answer the question since the philanthropic decision is convoluted with private motives, visions, and purposes. As such, it is important to link philanthropic behavior to individuals' lifestyle choices that describe who they are, how they spend their time, and what is important to them (Heidrich, 1990). Building on theoretical perspectives of philanthropic motives and philanthropic literature, a number of factors can be seen as influencing an individual's decision to participate in charitable activities and provide an explanation for why. The determinants include age, marital status and relationship, education, religiosity, and income. Although the determinants are interactive and all contribute to the donative decision as a whole rather than individually, each determinant is described as an individual unit for analysis. The possible interactions between these determinants are also addressed in the concluding discussion.

Age

Does age matter in terms of philanthropic motivations? Several studies suggest that older adults tend to be more active in giving and volunteering than younger people (Nichols, 1992; Putnam, 2000). In addition, they are reported to be the largest contributors to charitable organizations (Mathur, 1996), and among them, people aged 50 to 64 are the most active givers (Edmondson, 1986). Some people may argue that the greater likelihood of giving among older adults is simply related to the fact that they tend to have more money to give away than younger people. To address this concern, Steinberg and Wilhelm (2003) statistically controlled the impact of wealth on the giving behaviors among the three adult generations: prewar (born 1945 or earlier), baby boom (born 1946 to 1964), and generation X (born 1965 and after). According to the study, there are significant differences in generosity between generations. Specifically, the younger generations are about one third less generous than those of the prewar group. Likewise, the baby boomers appear more generous than gen-Xers in terms of total giving.

What explains this decline in charitable participation that occurs from one generation to the next? The appropriate answer may be related to the decline in social capital, the accumulation of social interactions and relationships, which is known to be the vital ingredient for trust and civic engagement and actions toward promoting common purposes and interests (Brown & Ferris, 2007; Putnam, 2000). Another plausible answer would be related to the fact that older adults are more likely to be affiliated with religious organizations. Religious affiliation encourages one to develop moral and ethical systems to value helping others as well as offers associational networks where such actions are encouraged.

Religiosity

It is not hard to connect religiosity with individual generosity as numerous studies indeed suggest that people who identify as having a religious affiliation tend to be more generous with their giving not only to religious organizations but also to nonreligious organizations (Clotfelter, 1997; Hodgkinson & Weitzman, 1996). One of the reasons for this is that religion and religious organizations serve both as a source of learning about generosity and social responsibility and as a point of mobilization for congregants around various charitable endeavors (Frumkin, 2006). People in religious organizations are more likely to understand the importance of being generous to others and to be encouraged to act on this understanding. A charitable action is easier to mobilize in religious communities since they serve as social epicenters for people to meet and interact with others who hold similar values. In this setting, people are more likely to be asked to engage in philanthropic activities.

However, providing a complete explanation as to how religiosity contributes to charitable actions is difficult since the relationship is more indirect than direct (Powell, 1998). Moreover, as much as religion offers learning opportunities and associational networks through which individuals are encouraged to participate in charitable activities, education seems to offer a similar positive effect.

Education

How does the level of educational attainment influence an individual's decision to participate in charitable activities? Studies suggest that a positive relationship exists between educational attainment and philanthropic involvement (Brown, 1999; Gittell & Tebaldi, 2006). Specifically, Gittell and Tebaldi find that U.S. states with higher levels of educational attainment among residents, particularly adults with a master's or a doctorate-level degree, have higher levels of giving: "A 1% increase in the adult population with a graduate degree increases average giving per tax filer by about $30.10" (2006, p. 731).

Although several explanations can be provided for this behavioral pattern of philanthropy, social learning and sociological perspectives seem the most convincing. Education helps individuals to be more cognizant about their world or community, which allows them to recognize the importance of others' well-being and to value charitable causes. As for the sociological explanation, education provides individuals with access to social groups in which they are more likely to be exposed to appeals for civic and social obligations (Brown, 2001). One major difference in the charitable activities between higher educational achievers and religiously affiliated individuals would be their charitable preferences. The high educational achievers tend to focus on social causes, such as the arts or higher education. Conversely, the religiously affiliated individual's preference, to a large extent, is directed to his or her affiliated religious organizations and the nonreligious organizations that share the same set of values.

Marital Status

Does marital status have any effect on charitable giving? According to a number of studies, it apparently does. Married couples are not only more likely to make charitable gifts than single people, but also they are more likely to contribute significantly more than singles when they do give (Mesch et al., 2006). When the giving behaviors of married couples, single men, and single women are compared as three separate groups, single men are the least likely to participate in charitable activities. Bryant, Jeon-Slaughter, Kang, and Tax (2003) conclude that the explanation for this phenomenon lies in the sociological perspectives on charitable giving. People who are single or divorced have smaller social networks than people who are married. In other words, married couples share each other's networks. As we have addressed earlier, social networks serve as a primary source of encouragement to participate in philanthropic endeavors.

In addition to marital status, the role of marriage and the relationship dynamics between the married partners impact giving in three distinct ways: (1) whether or not they decide to make a gift, (2) the amount of their giving, and (3) which types of causes they decide to support (Andreoni, Brown, & Rischall, 2003). More specifically, the individual in the relationship who is the dominant wage earner tends to be the primary decision maker when it comes to charitable giving, although many couples claim to make charitable decisions jointly. Thus, when the male plays the dominant role, the giving tends to be more strategic and concentrated on fewer charities; conversely, when the female plays the dominant role, the giving tends to be spread among a number of different charities, making smaller gifts to each. This distinctive style of giving is related to gender-specific traits. (A more in-depth discussion of gender is provided in the following section.) Where couples make the charitable decisions jointly, the giving tends more to reflect the male's interests and preferences.

Similarly, understanding who in the relationship plays the dominant role can also serve as a predictor for which types of organizations married couples support (Andreoni et al., 2003). For example, in couples where the female partner plays the dominant role, the likelihood is significantly higher that they will choose to support health, education, or religious organizations. In couples where the male plays the dominant role, adult recreation organizations tend to be significantly favored. Support for other types of organizations such as human services, environment, youth development, or private community foundations receive no preferential treatment according to which member of the couple plays the dominant role. Further, married couples tend to give more when they jointly make their charitable decisions (Brown, 2006).

Important to note is the fact that, over time, women's influence in charitable decision making has steadily increased; this is largely explained by their increased roles in the labor market and their resulting increased financial position within married couples. This trend is expected to continue; thus, charities may want to consider this as they develop and refine solicitation strategies for married couples (Brown, 2006).

Gender

How does gender play a role in philanthropic activities? Gender matters when it comes to giving. Several researchers report that single women are significantly more generous than single men, even after controlling for differences in income and education (Mesch et al., 2006).

Why does the difference in giving between genders exist? The answer is related to how men and women process and exhibit charitable activity. Helping behavior is a more highly developed trait in women than it is in men. Women feel a greater sense of empathy toward others, while men are more self-serving and strategic (Brown, 2006; Mesch et al., 2006; Mills, Pedersen, & Grusec, 1989).

While these differences are rather complex to fully comprehend, a better understanding can be achieved by comparing the different giving patterns exhibited between genders. For example, women tend to make smaller-sized gifts than men do, even when they earn similar salaries; women often require some financial education before they are comfortable making substantial gifts; and women tend to take more time between the moment they are asked for a gift and the point at which they offer a positive or negative response (Hall, 2004).

Similarly, when contemplating a financial contribution, men more than women tend to take into account tax benefits or the price of giving (Andreoni et al., 2003). Also, when determining the size of a gift, men are more sensitive to variations in their own personal income. Women, on the other hand, often spread out their giving among many organizations in smaller denominations, whereas men will make larger gifts to fewer charities. This can be explained through the fact that women, on average, still earn somewhat lower salaries than men, and women tend to live longer thus requiring that their financial resources be sustained for more years as older adults (Hall, 2004). What this means to charitable giving is evidenced in women's participation in planned giving; they often wait until their end of life to make their largest, most significant charitable gifts (Brown, 2001; Hall, 2004).

This discussion of the various charitable giving determinants relates to how income affects the donor's propensity to participate in charitable giving. This is not a surprise, given the fact that one's ability to give, determined by income and/or wealth, is a critical beginning point for charitable decision making. Moreover, it is well understood that discretionary resources must be present before a donor is willing to offer any donation at all (Schervish & Havens, 1997).

Income

The propensity to make charitable contributions increases with income level (Andreoni, Gale, & Scholz, 1996; Brown, 2001). Households with higher incomes have a greater likelihood not only of participating in charitable giving but also of making larger gifts on average when they do give. To clarify, although the extent of giving is directly associated with the size of the donors' income, the decision to make a charitable donation is not (Frumkin, 2006); rather, it is the result of a combination of factors merely relevant to the level of income, such as education and external pressures from social groups. More interestingly, however, is that the effect of income on the size of giving is minimal when giving as a share of personal income is considered (Schervish & Havens, 1995). Similarly, a temporary change in income does not necessarily affect the extent of giving (Brown, 2001). These results suggest that the variation of the effect of income level on the amount of giving depends on the data used to measure income level (temporary income versus income over a longer time period) and giving (giving as a total amount versus giving as a share of personal income). Caution should be paid as to the choice of the data and the implication on empirical findings.

Another interesting area concerns the giving styles of individuals who hold great wealth. As income levels increase, donors' attention shifts from religious to nonreligious charities. Studies have found that wealthier donors tend to direct their support to higher education and arts organizations. Additionally, wealthy donors will often make large gifts to the causes they are most enthusiastic about. They do this not just because they can but also because they seek to make a significant impact with their giving rather than merely offering a small token of support (Brown, 2001; Clotfelter, 1997; Schervish, 2005).

Summary and Future Study

This chapter examined what leads people to engage in philanthropic activities and who most frequently demonstrates them. The approach to understanding private philanthropy is multidimensional; perspectives of several academic disciplines, including economics, psychology, social cognition, evolutionary biology, and sociology, are adopted to highlight different aspects of charitable giving and volunteering. Each of these perspectives is founded on its academic principles and traditions and contributes to a unique understanding of the underlying motives for private philanthropy. All perspectives, except the social learning perspectives, explain private philanthropic behavior as a means for fulfilling the donor's self-interests, desires, and needs but not pure altruism per se. More specifically, the economic perspectives pay attention to economic returns, both monetary (e.g., tax deduction) and nonmonetary (e.g., favorable publicity and recognition, improved customer relations), whereas the psychological perspectives put their major emphases on psychic gratification and emotional needs, such as a desire to help, a need to be connected with others, and an advancement in self-esteem. In addition, the sociological perspectives shed light on the important role of the expectations and group norms for giving that emerge from the community networks with which one is affiliated and the desire many individuals have to expand their social ties and to access elite social groups who demonstrate prestige and political power.

When it comes to the evolutionary biology perspectives, the explanations are found in evolutionary mechanisms that increase the chance of survival for the group with which charitable donors share community interests or have a familial relationship. Separated from the other perspectives that lay their foundations on the premise of self-serving individuals to explain philanthropic behavior, the social learning perspectives shed a more positive light on giving by recognizing that it is a critical function of the moral standards and values that individuals build on and internalize through social learning (e.g., observing and imitating a critical role model).

In addition, the key demographic groups and the patterns of their charitable giving behavior are explored. Theoretical perspectives are particularly useful to explain the rationales behind the philanthropic actions of various groups of people. Six major determinants for philanthropic activities are identified, including age, gender, marital status, educational attainment, religiosity, and income. First, there is a pattern of philanthropic behavior that suggests a greater tendency to give and volunteer among individuals with higher social status (age, education, and income) and religious affiliations. The appropriate reason for this tendency is well explained by the sociological perspectives that highlight the important role of associational networks that social status brings from philanthropic acts (Frumkin, 2006); in the networks, individuals are more likely to be asked and encouraged to give and volunteer. In addition, the perspectives that highlight the importance of social learning seem effective to explain the influence of educational attainment and religiosity on charitable actions. Education and churches can provide individuals with social learning opportunities to build moral standards and ethical values, which is an important ingredient for charitable activities.

Second, gender matters when it comes to giving. Women are more likely to give than men. The psychological perspectives that highlight this personal trait among women, who have a greater ability to identify with others' feelings and difficulties than men do, serve well to explain this giving pattern. Finally, we cannot ignore the economic aspect of philanthropy; people donate their time and money in return for their own personal gains, either material (e.g., tax deduction) or nonmaterial (e.g., reputation enhancement, improved customer relations) as manifested in reciprocal giving.

To further our understanding of private philanthropic behavior, scholars need to pay more attention to the following areas. First, there has been a lack of effort to understand philanthropic behavior among diverse ethnic populations that represent distinctive cultural backgrounds and traditions, such as Asian American, Hispanic, and African American. Of course, philanthropic behavior is expected to be as diverse as the various ethnic groups, such as differences among Chinese, Filipino, Japanese, and Korean. Individuals with different countries of origin have their own cultural heritage that affects their perception toward helping others, although the level of influence would vary with levels of acculturation and Americanization as well as between different generations. In other words, individuals who are more acculturated are less likely to be influenced by their own cultural heritage that defines what is most appropriate and valuable in relation to being generous to others. Similarly, third-generation immigrants are more likely to be acculturated than first- and second-generation immigrants; thus, their definition of what is moral and ethnical is less influenced by their cultural heritage but more subjected to the mainstream culture where they have grown up.

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Maintaining Personal Balance as a Leader of a Nonprofit Organization

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> *The best part of our life is disappearing into the john to sneak a smoke, or staring at screaming non stop mills, our eyes unfocused, or standing judging whose sick joke is sickest. Yet nothing you could do could break our silence. We are a check. Do not expect a balance.*
>
> Joshua Mehigan (2008)

The expression "work-life balance" was first used in the United Kingdom during the late 1970s to describe individuals' attempts to better manage the amount of time they spent on professional versus personal life tasks ("Work-Life Balance Defined," n.d.). Over the years, as technology and other changes have narrowed the distinction between work and home life, the concept has become even more relevant. How might the conflict between having a successful work and personal life impact nonprofit leaders? Is it different from what business leaders experience as they confront these challenges?

This chapter examines the ways leaders attempt to create equilibrium between the amount of time spent on work versus nonwork activities within nonprofit organizations. It begins with a short review of the literature associated with nonprofit leadership and work-life balance. Next, it discusses what it means to be a nonprofit leader in the 21st century, where helping create workplace environments that allow organizational members to balance work and home life is just another chief executive responsibility. It then identifies a set of practices that nonprofit executives can use as they weave a balanced work-life perspective into their leadership toolkit. Finally, the chapter concludes with a list of additional readings and strategies individuals can consider if they want to more naturally implement personal and professional life balance.

The Nonprofit Sector and Leadership

The Sector

To begin to understand what work-life balance means for nonprofit leaders, it is important to first distinguish between the differing end goals of the for-profit and social sectors. Fundamentally, nonprofit organizations are established "to meet social objectives, human needs and national priorities that *cannot* be priced at a profit" (Collins, 2005, p. 19). What this means is that the measure of successful performance in the nonprofit arena is mission achievement rather than financial return (Collins, 2005), which is fundamentally different from what has come to count in the private sector. The differences in each sector's bottom line are incorporated into the component parts of what gets labeled as appropriate organizational leadership.

Nonprofit Leadership

The literature defines leadership as a set of activities that articulate an organization's vision and ensure that its stakeholders support the same. It commonly defines management as "activities required to ensure than an organization will reliably produce results" (Kotter, 1990, p. 4.) The inevitable tension between leadership and management is usually resolved by identifying a second-in-command individual who manages internal operations. This leaves the organizational leader free to work with the board of directors to develop a clear organizational strategy, precisely articulate it, anchor the strategy in a few key metrics, and build and align an organizational team to refine and implement the evolving strategy—the general purview of an organizational leader.

Crutchfield and Grant (2008) answered the question "what makes great nonprofits great" by stating that it was about having a great nonprofit chief executive. The authors define great chief executives as persons who act as leaders rather than managers and concurrently know how to share organizational power and leadership.

Most scholars have found that while the definition of what constitutes leadership or management tend to be similar, the practice of leadership often differs depending on whether one is examining the nonprofit or for-profit sector. For example, Crutchfield and Grant's findings regarding the importance of nonprofit leadership power sharing are captured in the concept of the *level 5 legislative leader* developed by Collins (2005). Collins's defining research regarding the dynamics of great for-profit firms was modified as he subsequently studied the nonprofit sector, and his level 5 leadership definition arose out of this difference. Collins stated that level 5 leaders are ambitious "first and foremost for the cause, . . . the mission . . . —not themselves—and they have the will to do whatever it takes to make good on that ambition" (p. 10). He noted that effective nonprofit leaders have to employ level 5 legislative strategies even as they face governance and power structures that render private sector, executive-style leadership tactics impractical. What Collins labeled as level 5 leadership, others have come to call the *female manage ment style*. A key feature of this female management style is the notion of working smarter, not harder.

Work-Life Balance

The term *leadership* is not defined in the same ways in the social sectors as it is in the business world. What constitutes work-life balance is also characterized differently. In the 1970s and 1980s, the words *work life challenge* were used as shorthand to refer to the fact that men and women had begun to prioritize career goals over family, friends, community affairs, and leisure activities. Today, technology extends this challenge further by connecting employees with their jobs on a 24-hour, 7-day basis. Joe Robinson, founder of Work to Live (www.worktolive.com), in a March 2009 note on his blog indicated that "a Boston College study found that 32% of employees and 58% of managers worked on 'vacation.' Many were wired for business on their time off via assorted laptops, cell phones and, most ominously, BlackBerrys. The e-mail pager's street handle—CrackBerry—testifies to the operative dynamic."

General impressions about what makes for equilibrium between work and personal life have also changed over the last 30 years. A 2007 annual survey conducted by the Kenexa Research Institute (KRI) evaluated the perceptions of 10,000 U.S.-based male and female workers about work-life balance. KRI found that women are more positive than men as to their feelings about organizations' efforts to help them weigh work and home life responsibilities. These results indicate that people's perceptions about the need for work-life balance have changed significantly over the last decade. Traditionally, it was women who stated that it was more difficult to balance competing pressures at work and demands at home. Now, men are also finding that their lives are more consumed with family and other personal responsibilities and interests. To attract and retain employees, organizations of all types find they must formally develop ways of supporting equilibrium between the work and home fronts.

Multigenerational thinking is also coming into play as the new wave of *millennials*—the 25- to 35-year-olds, who have been labeled as the next great group of social innovators and leaders—enters the workforce. Research indicates that millennials' mastery of the emerging social and technological networked systems and their idealistic and energetic problem-solving approaches are transforming the nonprofit landscape (Hensen, 2008). The new skill sets of the incoming millennial wave, coupled with baby boomer retirements, are causing 21st-century nonprofit executives to necessarily broaden their leadership perspectives to include the notion that making the world a better place is more than about just competitive positioning or successful fundraising. Rather, by necessity, it must incorporate a perspective that weaves the so-called personal and professional together in a seamless pattern. The millennials don't "turn off" when they leave the workplace. Incorporating work-life balance becomes challenging when employees and their leaders are committed to the organization, its goals and values on a "24–7" clock. When not punching in or out is the norm, how can nonprofit leaders create environments that minimize burn-out and maximize performance-oriented cultures that respect a person's need to find balance, even when the lines of what constitutes work and life aren't clearly articulated by the individual?

Achieving Work-Life Balance

The best nonprofit leaders have a mind-set that focuses on strategic mission clarity, strategy articulation, performance metrics based on mission, shared leadership, and team alignment with organizational mission. The relevant performance metrics for a nonprofit leader relate to mission achievement, irrespective of bottom-line profits generated for shareholders. Does such a leader approach the question of work-life balance any differently than one of the captains of more traditional industries?

In their examination of work-life balance, Muna and Mansour (2007) point out that effective leaders concurrently juggle more than one task yet distinguish between issues that are urgent and those that can be held off for a more opportune time. The authors note that recognized business executives often indicate that the act of balancing work, family, and personal life is a skill that these individuals wished they had managed better. These leaders stated that despite being proficient in effectively addressing short- and long-term issues in their organizations, they spent little time on planning and executing actions that would improve their personal lives.

Clearly, nonprofit leaders need to learn from the private sector and not simply repeat their mistakes. So, what is going to make for a more effective 21st-century-nonprofit leader? One answer lies in encouraging more of what might be called a *millennial mind set*. This more balanced sense of work-life relationships was described by researcher Nippert-Eng (2005) as an *integrationalist approach*, where the mental, physical, behavioral, and interpretive boundaries between the home and work worlds are completely diffuse.

To be classified as "excellent," nonprofit executives must incorporate a millennial or integrator mode of networked thinking into their leadership repertoire. Work and life are now seen as part of an interwoven continuum rather than separate and distinct spheres. This leadership perspective is designed to countermand myopic "readings of life and work that overlook work as a source of satisfaction and life as encompassing more than just childcare" (Warhurst, Eikof, & Haunschild, 2008, p. 2). Excellent nonprofit leaders are now modifying their respective organizational environments to create standard policies that allow employees to take sabbaticals, job share, arrange for child or eldercare leave, work from home, or work fewer or part-time hours. This new way of thinking is creating a more "virtual" workforce that closely mirrors the evolving wireless technology web. These leaders also recognize that measuring performance is a more valuable metric than measuring "face-time."

Millennials desire to make a difference, and their belief that social and environmental justice are not just ideals also influences the ways that perceptive nonprofit leaders see themselves as organizational players. In some ways, the call to *make the ideal real* supports the preexisting notion of chief executive as power center. On the other hand, the so-called ideal-real perspective is antithetical to the business notion of emphasizing only metrics that demonstrate financial gain. Research indicates that the private sector is learning from the nonprofit world. When long-term sustainability is part of the equation, all 21st-century organizations—private, public, or nonprofit—find nonsustainable work environments block performance achievement. Effective leaders are aware that work-to-family conflicts as well as family-to-work conflicts affect the mental and physical health of working men and women (Muna & Mansour, 2007), which leads to an inherently untenable proposition.

Future Directions

Being an effective leader in an organization requires the use of various strategies and behaviors. Kouzes and Posner (2008) outlined five practices or behaviors that people can use if they want to be effective leaders and achieve stellar performance. Their book cites a number of private sector leaders, although they interviewed managers and leaders from a wide variety of organizations. The results of their findings were used to identify best practice leadership behavior in general. Applying these concepts to the nonprofit world, particularly to address work-life conflict, serves a strategic purpose. The nonprofit executive who implements these practices gains personal and institutional advantages. The sense is that these leadership practices can both help change organizational cultures and result in more work-life friendly environments.

Kouzes and Posner's five practices include (1) challenging the process, (2) inspiring a shared vision, (3) enabling others to act, (4) modeling the way, and (5) encouraging the heart. If nonprofit leaders are serious about incorporating more balance into their personal and professional lives, these principles provide a framework for moving from theory to practice.

Challenging the process, the first practice, enables nonprofit leaders to put Collins's (2005) previously referenced notion of level 5 leadership into practice. This type of leadership involves exploration, experimentation, and risk taking, characteristics that typify the emerging millennial population. When routine procedures are challenged on a regular basis, the problem-solving skills and creativity reserves of individuals tend to engage to achieve success. Research indicates that leaders have to exercise their risk-taking skills on a routine basis to keep their *opportunity eyes* sharp so they can take advantage of small windows of chance as they appear (Muna & Mansour, 2007).

The joy and energy that comes from creative exploration, experimentation, and risk taking typically makes the heart beat faster; it's what allows people to push themselves to the limit. Katherine Graham, the first female CEO of the *Washington Post*, famously said, "to love what you do and feel that it matters—how could anything be more fun?" (Barsh, Cranston, & Craske, 2008). These remarks came as this leader allowed her editor and two unproven reporters to continue to investigate allegations against the then president of the United States, while she experienced the withering pressure of being labeled an "un-American"! Research has found that leaders who challenge the way often have a feeling of transcendence because contributing to something larger than themselves generates a deeper sense of meaning and purpose. As Carole St. Mark, who began her career as a human resource manager, stated, "Because I was put in jobs where I didn't have the technical training, . . . I just did what made sense to me. And that usually worked better than trying to apply a theory" (Swiss, 1996, p. 84). That willingness to use practical thinking along with theory is a mark of the millennial nonprofit leader.

The second practice, *inspiring a shared vision*, merely requires that nonprofit executives do what they are already hired to do: enlist other individuals in mission achievement. The intent is to leverage the capacity of the group to accomplish the goals of the nonprofit organization, recognizing that group outcomes usually exceed those that can be accomplished by one or two individuals operating alone. This practice also engages fellow workers to share in the process of identifying organizational goals and values knowing that this participation can lead to greater commitment and an associated desire to implement activities that are designed to reach such mutually developed goals. Proactive millennial leaders sometimes choose to exercise this practice by gathering coworkers in their home to seek input on important organizational strategies. They indicate that their fellow employees remark that "the connection makes it more pleasant to work together" (Swiss, 1996, p. 27).

Another way to inspire a common vision is for optimistic, millennial leaders to encourage coworkers to engage in what is called *positive framing*. Research has shown that optimists actually see life more realistically than pessimists do (Barsh, Cranston, & Craske, 2008). This ability arises from the fact that optimists are confident that they can both manage life's challenges and move to action. Pessimists, on the other hand, are more likely to feel helpless and consequently get stuck in downward spirals of rumination.

Proactive nonprofit executives distinguish between positive framing and positive thinking on a personal and organizational level. Positive thinking merely replaces adversity with positive beliefs, while positive framing counters adversity with action. Research indicates that people can only temporarily "self-talk" themselves into a view that is actually contrary to the facts; however, they have a longer-term capacity to overcome negative self-talk when they take affirmative action. Thus, when negative events occur, millennial leaders and their fellow employees conduct quick postmortems, seek interpersonal support, and develop action plans that allow for energy restoration—such as collectively engaging in a service activity. All of these activities help the organization as a whole inspire shared vision.

Enabling others to act is the third practice. This concept reminds successful leaders that they are one point of power: When they work with followers and promote coworkers' leadership, only then can long-term organizational success be ensured. Enabling others to act requires that leaders provide their followers with the tools, resources, and permission giving necessary for followers to take ownership of their goals and perform. This is an area of vulnerability for many leaders because the scarcity of time, people, and money often makes it easier to simply complete assignments rather than create the space to train and develop others. Millennial leaders know that they gain in the long run when they either directly empower coworkers to make decisions or provide them with tools (e.g., laptops and cell phones) that enable alternative job arrangements designed to meet the needs of each worker.

The fourth principle of *modeling the way* encourages executives to remember that their behaviors impact coworkers. Modeling the way requires that nonprofit leaders affirm their values and then align their behaviors with these values. The authors note that by demonstrating personal values through consistent action, executives create a more authentic leadership identity. So there is the example of Dr. Muhammad Yunus, of whom the 2006 Nobel Peace Committee declared, "he has shown himself to be a leader who has managed to translate visions into practical action for the benefit of millions of people, not only in Bangladesh, but also in many other countries" (Nobel Peace Committee press release, Oslo, October 13, 2006. p. 1). Dr. Yunus has subsequently inspired not just members of his various organizations but spurred the growth of U.S.-based microfinancing organizations, such as Kiva, whose millennial founder cites the values–action alignment of Grameen Bank and Dr. Yunus as one of the reasons he was attracted to microlending.

The final practice is titled *encouraging the heart*. While this principle is part of the definition of great leadership, it is often not acted on in real-life situations. Chief executives must remember that what inspires and nurtures them as nonprofit leaders also motivates others. By consciously moving into the role of passionate cheerleaders, nonprofit leaders enable their coworkers to see their work sites as places where they can "live to work" rather than simply "work to live." Recognizing performance and hard work in the nonprofit world, while a sign of great leadership, is even more meaningful when recognition is given to those who have overcome work-life challenges and still have the energy to provide 110%.

The application of the five Kouzes and Posner practices, in any order, provides a framework for an operative work-life friendly environment. The five practices represent a useful way to reflect on key personal and professional leadership and balance issues. Implementing new strategic directions, such as enabling millennials to work in new and different ways, requires leaders to behave in ways that enable high performance cultures. Using the five practices, for example, encourages nonprofit executives to apply networked and sustainable thinking on a day-to-day basis. They must, in Kouses and Posner's terms, "challenge the process" every day and look toward the needs and values of the workforce they will manage.

What needs to be challenged? How is networked thinking different in the nonprofit versus the for-profit world? With a goal orientation focused on mission accomplishment rather than financial rates of return, nonprofit leaders often get caught in what gets called the *trade off* cycle. Under the trade-off way of thinking, time is a commodity that is doled out on a personal versus professional basis. Therefore, when a leader spends time fundraising or cultivating donors outside of the traditional 9-to-5 schedule, these hours are calculated and stored for subsequent "borrowing against" for personal activities. One hears this in the routine conversations of these chief executives—one "takes" compensatory time to attend a child's school activities against so-called overtime hours worked that one has "banked" from preparing a grant application during a prior time period.

When leaders are operating in the previously described mode, they engage in reactive thinking. The premise is the act of valuing time only as a commodity of exchange places the nonprofit leader in an if–then situation that trickles down to organizational employees. The *seamless perspective*—one where mission achievement is the intended outcome—views life as a means to an end, where the personal and professional are merged and both are aligned toward the same goal. Thus, time with family is concurrently an opportunity to use Twitter or LinkedIn to network online with professional colleagues; a nonprofit chief executive coshares housing to support a household on a less-than-corporate salary. Leaders who have the latter perspective are engaging in what could be called proactive millennial thinking. Figure 88.1 details some key differences between millennial and traditional thinking as they relate to the ways that nonprofit executives view their own leadership, donors, volunteers, and employees and organizational consumers, clients, and the community at large. At every step, millennial leaders take an integrative perspective that empowers others by valuing their role in fulfilling organizational mission.

This millennial perspective encompasses a way of thinking that embodies continual renewal, innovation, and rebirth. It moves away from the life span notion of "birth—mid-life—death" to what Gardner (1996) calls the *total system* approach—one where things are being born, flourishing, and dying, but the system, as a whole, continues.

These types of total-system, millennial-oriented nonprofit leaders ask their organizations to periodically revisit and reaffirm core values and implementing behaviors. They encourage benchmarking and so-called best-practice initiatives that raise the bar. An example of this is within the Baptist Health Care organization, where all employees are encouraged to look until they find "the best of the best" in their area of expertise and benchmark against it (Stubblefield, 2005, p. 23).

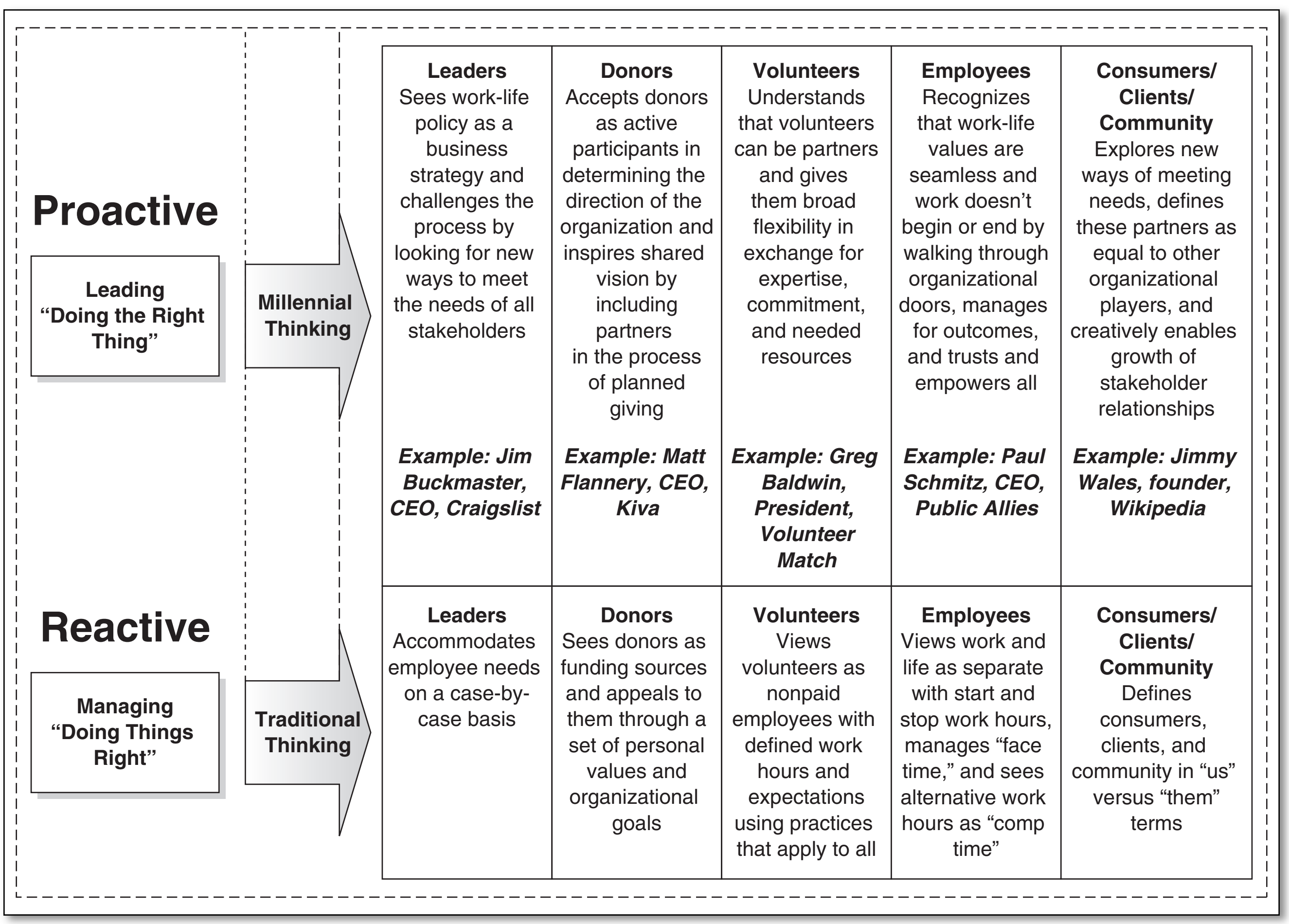

Figure 88.1 A Millennial Approach to NPO Leadership

SOURCE: Chart originally created by Monika Hudson in April 2009 as a way of demonstrating how the Kouzes and Posner concepts can be applied to each of the key constituents that most nonprofit leaders have to work with. Comments on the developing chart were provided by Dayle M. Smith, University of San Francisco.

Summary

This chapter began by reviewing the nonprofit sector, leadership, and work-life balance literature and by distinguishing between leadership and work-life balance in the nonprofit and private sectors. It continued by discussing several concepts that 21st-century nonprofit leaders want to consider as they frame their environment—networked thinking, sustainability, enacting ideals. The chapter concluded with some suggestions for one or two tools that interested individuals can use to enhance their leadership skills, whether or not they are considering nonprofit employment. The intent is to encourage leaders to strive for an authentic sense of self that integrates work with family, friends, community service, spiritual activities, physical exercise, and whatever else matters in their lives (Muna & Mansour, 2007).

Toward that end, it is suggested that readers identify leadership assessment tools and exercises that can support better self-knowledge, the practice of personal and professional leadership principles, the building of personal and organizational support teams, and general work-life integration. One place to begin may be a reference cited in this chapter. The evidence-based website, the Student Leadership Challenge (www.leadershipchallenge.com), contains assessments, journal exercises, and related tools developed by authors Kouzes and Posner (2008). It is a useful place to start identifying other resources available to assess personal and professional leadership capacity. These suggestions are offered understanding that, in the 21st century, successful nonprofit leaders and employees do not have the luxury of viewing success in the workplace and a fulfilling successful personal life as mutually exclusive options.

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Professionalization of Leadership and the Rise of Formal Management and Leadership Education

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The leadership of nonprofit organizations plays an important role in defining and furthering the mission and vision of the organization through exceptional management and leadership functions. In recent years, the traditional nonprofit management system has encountered serious challenges in the manner they have been operating. This challenge has come from the burgeoning focus on greater accountability and maintaining sustainability of the organization following several instances of transgression by nonprofit leadership. Well-known cases of misdeeds include fraud and tax evasion by the president of United Way of America in 1992, embezzlement by the chief executives of New Era Foundation in 1995 and American Parkinson's Disease Association in 1996 respectively, and mishandling of funds by the Red Cross in the scandal after September 2001, among many.

There was, concurrently, an evolving interest among entrepreneurs and leaders from the private for-profit world in the functions and operations of nonprofit organizations. These leaders believed in the inculcation of professionalized managerial and leadership skills in nonprofit administration. Due to this foray of for-profit management principles, the traditional form of nonprofit leadership is gearing up to meet this challenge. Professional leadership is an essential requirement for professional management of nonprofit organizations. The primary functions of nonprofit management include planning, clearly defining roles and responsibilities, budgeting, accurate accounting and reporting, tracking performance and evaluating results and outcomes, and collaborating, coordinating, and networking with external agencies including donors and the community. By performing the aforementioned functions properly, nonprofit executives can become professional leaders and further sustain the mission and future of their organizations.

This chapter examines the professionalization of leadership in nonprofit organizations by focusing on the need and growth of *professionalization*. Why did the need for professionalization arise? Was there anything wrong or ineffective in the way nonprofit organizations were led and managed earlier? What factors led to the increased demand for professionalization? By emphasizing professional leadership, are nonprofit scholars trying to implant concepts of the corporate for-profit world into the nonprofit world?

This chapter begins by examining the meaning of professional leadership followed by a discussion on its development. The succeeding section talks about the findings from the empirical research on how for-profit corporations decide on which nonprofit organization to select for support among many. One important finding of this research is the need for professionalism in the operation and administration of nonprofits. This finding leads the readers to the challenges in the next section. The challenges outlined point to the need for professionalization of leadership in this sector. Certain mechanisms have evolved in response to these challenges. Summary and conclusions and directions for future research then follow a discussion on professionalization of leadership.

Understanding the importance of professional leadership of nonprofit organizations is timely as well as significant for students who are likely to be practitioners in this area. Knowledge and awareness about professional leadership would assist in upholding the same. Although, historically, the nonprofit sector did not like the concept of management as it was considered to be a jargon of the for-profit corporate world, lately the blurring of the sectors have encouraged certain practices traditionally belonging to the corporate world to be adapted and emulated in the nonprofit world. Professionalism is one of them. Professional leadership by the chief executive, executive director, or the board of nonprofit organizations would only enhance the reputation and sustainability of the organization.

Professional Leadership Defined

Leadership in nonprofit organizations consists of the board and the chief executive. Hierarchically, the board is at the top followed by the chief executive; functionally, the board (comprised of voluntary members) defines the mission, implements policies, and steers the organization in the manner that ensures mission fulfillment. The chief executive, hired help, assists the board in their functions. Papandreou (1952) described the chief executive as the one figure at the helm of an organization that is responsible for managing the multiple conflicting demands with a "sense of the whole" (p. 190). Herman and Heimovics (2005) argue that this conventional model of board centrality, which is found in most normative literature on nonprofit leadership, falls short in the actual performance of boards. They cite Middleton's (1987) work on how nonprofit boards do not always fulfill their duties. Being at the head of an organization, the chief executive performs most of the managerial and leadership functions in conjunction with the board. Further, the chief executive implements the vision of the board. Although hierarchy exists in the organizational structure, when it comes to managing and leading, both the board and chief executive play equally important roles.

Nevertheless, the chief executive's role is very significant because this office supports the board in its functions, serves as the interface between the board and staff, and creates and sustains the mission and strategy for the organization. In addition to the aforementioned roles, certain other duties include overseeing the programs and service delivery, managing the available resources while scouting and seeking additional ones, maintaining documentation, and communicating and portraying the organization to its stakeholders. Only someone who is motivated and believes in the mission of the organization can perform this multiplicity of responsibilities. By serving the mission of the organization, the executive is serving the community while at the same time leading the organization toward its goals. This approach reflects the servant leadership style where a person serves first and then leads (Greenleaf, 1977).

The primary motivation of servant leaders is the desire to serve others. The chief executive of a nonprofit is a servant leader because the person serves the individuals of the organization and the community in the course of fulfilling the organizational mission, and is not influenced by money or power. This leadership style, however, is not an exception, and complements and enhances other leadership models (Senge, 1995). Further, servant leadership style is more appropriate for nonprofit managers because it matches the contemporary social, political, and economic conditions. This leadership style is considered more open, that is, more participatory with shared decision making. In addition, leaders following this style are also capable of maximizing opportunities and optimizing resources available to them. The open style, often practiced by nonprofit managers, allows them to rise to the top and lead the organization while serving the mission of the organization.

Senge (1995) stated that in the traditional perspective, a leader has the ability to establish direction, possesses decision-making authority, and takes responsibility for followers, which essentially reflects the individualistic view of the Western culture. Leaders, according to Senge (1995), need to be stewards of the organization, and the servant leadership style is well suited to organizations because of its focus on relationships and serving others. A chief executive of a nonprofit organization can be referred to as a steward because this executive, as mentioned earlier, serves the mission by steering the organization and the community in the direction of the mission. Based on Larry Spears's characterization of the servant leader's qualities, namely, listening, empathy, healing, persuasion, awareness, foresight, conceptualization, commitment to growth, stewardship, and focus on community, Carroll (2005) argued that servant leadership is ideal for nonprofit managers. Hunter's (2004) assertion that a servant leader consciously chooses to lead through the provision of services to others is also consistent with and reflects a nonprofit manager's role and function.

The leadership of a nonprofit organization consists of the board and management. The chief executive is both a manager and a leader. Although the prominent literature highlights the differences between leaders and managers, a nonprofit manager is atypical in the sense that the person who holds this position is required to manage as well as lead the organization. The internal and external demands and pressures from stakeholders on nonprofit managers are increasing at a rapid pace. Balancing of these complex and sometimes contradictory demands require an adroitness and professionalism that may have not received due credit. Moreover, rather than transforming the organization with their leadership, most nonprofit managers try through their service to meet the demands of leading the organization.

Schon (1983, p. 21) states that professionals are different from others in the sense that they possess a set of distinct "instrumental problem solving" skills. Therefore, by employing professionals to manage an organization, their expertise at tasks and control over decision making will very likely promote organizational competence. Research also suggests that professional values and norms lead to organizational transformation (DiMaggio & Powell, 1983). Application of these values enhances trust among the stakeholders resulting in organizational effectiveness and sustainability.

Application of private-sector management practices to the public sector for improved effectiveness and efficiency of public services delivery is an impetus for the focus on professionalization of leadership. This is because service provision by nonprofit organizations needs to be comparable with services provided by the for-profit organizations operating in the same industry. Moreover, with the public and the for-profit sectors forming alliances and partnerships with the nonprofit sector, the call for professional leadership has increased. Nonprofit organizations are not only becoming more businesslike in their revenue generation but also becoming increasingly led by trustees and executives who have been recruited from businesses.

Nonprofit managers are increasingly becoming more professional in terms of education since the mid-1980s. The growing number of universities offering courses in nonprofit management explains the focus on professionalized nonprofit leadership. The number of professional degree programs has increased exponentially during this period, and the number of nonprofit managers with degrees in programs such as MBA (master of business administration), MPA (master of public administration), MNM (master of nonprofit management), MFA (master of fine arts administration), MSW (master of social works), and various professional certificate programs have also increased. Moreover, in some subsectors, executives are paid as much as for-profit corporate executives (Ott, 2001). Professional leadership is leadership informed and enriched through education and training in one's area of passion and through the practice and application of the training in a vocation stemming from personal choice. Such educational programs provide understanding of pertinent management and leadership concepts, and qualify the person for a position in an organization. In short, formal education endorses the legitimacy of a person's capabilities.

The Rise of Professional Leadership

Salamon (2002, 2005) stated that the nonprofit sector in America became more professional in the past couple of decades and considered this change to be in response to the legitimacy challenges faced by the sector. This challenge is based on the "unrealistic expectations" of the public and lies in the criticisms by conservatives about just another "special interest." Professionalization started with charitable fundraising as reflected in the numerous specialized fundraising organizations that emerged and grew since the 1960s. Fundraising became a profession that used marketing concepts of the for-profit sector in attracting philanthropists and encouraging charitable interests. The use of the latest technology and innovative tools to solicit grants and donations and for informational purposes deserves a noteworthy mention in the professionalization of the nonprofit sector.

In addition, the chief executive or the executive director wears several different hats and performs several different functions from meeting the expectations of the stakeholders, forming alliances, building networks, managing the organization, and being accountable to furthering the mission of the organization. These multiple functions enhance the need for professional leadership—one that leverages education, knowledge, skills, and expertise for the purpose of the organization. It must, however, be noted that not all chief executives or executive directors of nonprofit organizations are skilled or equipped to perform the multiple functions expected of that position. Anecdotal evidence suggests that most chief executives do not possess prior experience in management. Persons hired or promoted to the top position have previously worked and excelled in fields such as counseling, fundraising, preaching, and teaching, that is, nonmanagement fields. As Block (2001) maintains, they were hired on "the basis of their programmatic skills and not on their qualifications as executive managers" (p. 101). Chief executives ascended or attained their positions because of their competency and excellence in one or more fields. However, competence in certain areas such as budgeting or counseling may not be relevant or adequate for the policymaking and implementation that is required of the top management or leadership of nonprofit organizations. This issue is widespread in the nonprofit sector especially among smaller nonprofit organizations and a cause of concern. A case in point is the example of a small nonprofit organization that rehabilitates persons with addictions and substance abuse. This nonprofit is led by a former substance abuser who is currently a strong proponent of treatment and rehabilitation of former addicts and managed by a former high school teacher. Neither of them, however, have any previous experience in leading or managing an organization.

The Peter Principle appropriately describes this problem where competent people are promoted to positions where their skills might be insufficient in relation to what is expected of that position. This principle states that people rise in their careers in their organization to the level of their own incompetence. Peter and Hull (1969) maintained that those employees who have not yet reached their level of incompetence accomplish most of the work in organizations. This is because people are promoted to higher positions because of their competence and excellence in their current positions. Once they ascend to a position where their skills and expertise do not adequately match the position, they become incompetent. Most nonprofit managers face this problem. They are competent in their own areas, but when elevated up the hierarchy, their skills fall short of meeting the expectations. As mentioned earlier, nonprofit managers wear several different hats and perform a variety of functions that may not be within their competency levels. Although this problem persists in nonprofit organizations, lately, there has been an increasing interest among nonprofit managers to undergo training in management and leadership skills.

The following section discusses the empirical research that forms the basis for the need for professionalization of nonprofit leadership. Field survey points to the heightened need for professional leadership of nonprofit organizations and its importance irrespective of the educational qualifications of the chief executive.

Findings From Empirical Research

The author studied 10 corporate grant-giving programs in the north Texas region (Bezboruah, 2009). The participants are executives of corporations in the north Texas region who are involved in philanthropic decision making. The selection of the corporate executives was based on accessibility and personal contacts within the corporations. The selection of companies was primarily based on the snowball sampling technique whereby an interviewee would suggest and refer another executive from a different organization as a plausible subject for interview. This special nonprobability method of sampling was used because the respondents were extremely difficult to locate, approach, and interview. The 10 corporations varied in size and ownership as well as in industry. Their sizes, based on their annual revenues, range from small to medium to large, and the industries to which they belong are semiconductor manufacturing, telecom, software services, banking, book retail, and media. The data were derived from in-depth interviews with corporate executives, annual reports, company websites, and observations made by the researcher in the course of the interviews. A major conclusion is that professional administration of nonprofit organizations was a prime concern among most corporate donors. Due to this concern, many corporations refrain from contributing directly to nonprofit organizations. This has led to the emergence and growth of several intermediary nonprofit organizations with operating models similar to that of the United Way.

Based on the empirical findings and literature review, the next section describes the challenges faced by nonprofit organizations followed by arguments on how professional leadership can overcome these challenges.

Challenges

In addition to the resource scarcity faced by most nonprofit organizations, there are other critical challenges that deserve attention in order to appreciate the need for professionalism.

Inadequate Reporting

Most corporate executives involved in grant-giving decisions were concerned about the reporting frequency and standards regarding the use of funds by recipient nonprofit organizations. The performance of a program or project for which the corporate grant was used was not adequately reported to the grantor company nor accounted for in a timely manner. Corporate grantmakers considered such behavior amateurish and unprofessional. If approached for grants again, these grantmakers would most likely refuse. This could have serious impact on the nonprofit organizations especially the smaller ones. Being accountable for the resources received signals the sincerity, earnestness, and honesty of the nonprofit leaders. Their trustworthiness among the funders heightens, which could result in creating a positive image of the organization. In addition, funding sources could increase because funders are continuously looking for competent and accountable organizations that can make the best and most use of the funds granted. However, as the next section explains, the major constraint of finding and keeping talented and trained individuals to lead the organization acts as a major deterrent in implementing adequate accountability measures. Staffs of most nonprofit organizations spend a major part of their time scouting for grants and funds that are very vital for providing essential services. Timely and adequate reporting of the use of funds is another area in which most nonprofits fail. Case studies (Bezboruah, 2008) revealed that grantors highly value periodic reporting by grant recipients, and reporting is also considered to be a long-term benefit for nonprofits.

Human Capital

Most nonprofits do not have the resources to hire employees for various functions. As a result, they resort to contracting of employees, employ part time, or depend on volunteers to work on various functional areas. In short, nonprofits use temporary employees to overcome the labor shortage. Contingent employment practices have been growing in popularity in the United States since the 1980s, and this popularity is likely to continue (Allan, 2002; Houseman, 2001; Wise, 1994) because of the predicted shortages of professional labor (Karoly & Panis, 2004) and nonprofit leaders (Bell, Moyers, & Wolfred, 2006). Having contract or part-time workers serve in staff and leadership positions cannot be the solution if this sector is to maintain its services. This is because these employees come with the additional baggage of low-quality services (Akingbola, 2004). In addition, they may have differences in work aspirations and goals compared to permanent employees (Tschirhart & Wise, 2007). Even if they act professionally, the temporary nature of their employment might not be conducive for maintaining similar standards once their contracts are over.

Moreover, attracting the talented and educated, especially those trained in management schools, is a problem faced by most nonprofit organizations; the salary expectations will be higher than for professionals without management degrees. Most nonprofit organizations, including the larger ones that constitute about 6% of the organizations, have issues in recruiting talented individuals from diverse backgrounds in leadership positions. The smaller nonprofit organizations constituting 83% of the nonprofits have very small budgets of usually under $1,000,000. It is not surprising that with such a budget they have very little capacity to hire talented individuals. Due to the small budgets, additional human resource systems, such as standard hiring practices, comprehensive benefits, and performance management tools, are rarely followed.

Intermediate Nonprofit Organizations

There has been an increase in the emergence and growth of intermediary nonprofit organizations since the 1990s, which work as a medium between grantmakers and recipient nonprofit organizations. The objective is to create awareness, raise funds, and match grantmakers with prospective nonprofit organizations. These organizations broker between foundations, corporations, and wealthy individuals on one hand, and nonprofit organizations on the other. Notable examples are the United Way, the International Youth Foundation, and the Philanthropic Initiative. Each of these nonprofit organizations matches worthy nonprofit organizations with funders. However, nonprofit organizations need to meet the standards determined by these intermediate organizations in order to receive the benefits of the partnership. These standards include but are not limited to performance measurements, adequate accounting and reporting practices, and use of funds to further the mission of the nonprofit.

Because of the credibility ensured by these intermediary nonprofit organizations, grantmakers choose to donate resources through them. This saves them the resources required for due diligence before selecting a nonprofit for support. Because of the scarcity of resources and cost effectiveness, contributing through intermediary organizations is a better choice. New intermediary organizations have developed over the past few years in response to accountability pressures from the grantmakers. In the Dallas–Fort Worth region, organizations such as Dallas Social Venture Partners (DSVP) and Entrepreneurs Foundation of North Texas (EFNT) have emerged that try to match donors with eligible nonprofit organizations. This matchmaking process follows scrutiny of the nonprofit by the intermediary on its ability to maintain and sustain its mission as well as on its accounting practices. A nonprofit that succeeds in this review is then matched with an individual or corporate donor.

Venture Philanthropy

Another development in the philanthropic sector that provided the impetus for professional leadership is venture philanthropy. Also referred to as highly engaged philanthropy, reengineering of philanthropy, and social entrepreneurism, this model applies the techniques of the venture capital model of the corporate for-profit world. In this model, there is a deeper interaction between the donors and the recipients, with the donors playing an active role in overseeing how their donations are spent by emphasizing outcome measurements. The donors—entrepreneurs, venture capitalists, trusts, and corporations—look for social returns on their investment and focus on the performance and outcomes of the organization. With the surge in personal wealth during the economic boom of the 1990s, new philanthropists emerged who gave philanthropy a different meaning. The emergence of new philanthropic models coincides with the emergence of new philanthropic leaders, such as Bill Gates and Ted Turner, who are highly interested and involved in seeking the best methods in the delivery of services for the most effective social changes.

Proponents of this approach (Letts, Ryan, & Grossman, 1997) emphasize the risk-taking nature of these philanthropists who develop close relationships with organizations, invest for the long term, and monitor performance through agreed on measures. In their study on for-profit and nonprofit leaders, Morino and Shore (2004) found that nonprofit leaders have bold ambitions that do not find any outlet. Access to capital via the investment relationship with funders enables these nonprofit leaders to be strategic and opens up new possibilities. Other themes emphasized were strong professional leadership, importance of the public sector role in the form of garnering public will and political support, and leveraging the funders' network by the nonprofits. Social entrepreneurship models have been used by successful national organizations, such as Teach for America and America's Promise. These organizations also benefit from federal grants and support from affiliation with former first lady Laura Bush and Colin Powell.

Responses

The challenges outlined in the preceding section can be addressed by the following responses that have emerged over the years. Below are some developments that can assist in instilling professionalism in nonprofit leadership.

Management Education

A little over a decade ago, Wish and Mirabella (1998) found that over 70 colleges and universities had graduate degree programs that focused on nonprofit organizations. A more recent count puts the number at 255 colleges and universities who offer courses in nonprofit management. This includes graduate and undergraduate credit courses, noncredit courses, certificate courses, and continuing education. Program variations include specialized courses on fundraising, managing nonprofit organizations, governance, strategic planning, human resource management and financial management, and generic programs on nonprofit management with financial management and leadership courses.

The targeted audiences are a varied lot too. Some programs were targeted at undergraduates as careers with youth and human service agencies through affiliation with American Humanics while others catered to nonprofit managers, fundraising professionals, and researchers. Wish and Mirabella's (1998) research shows that the goal of these programs is to train people with practical knowledge and skills necessary to lead organizations and to have adequate understanding of the external environment to form partnerships. Graduate degrees in business or public administration increase scholastic, social, and cultural capital (Baruch, Bell, & Gray, 2005; Tschirhart, Reed, Freeman, & Anker, 2009). According to these researchers, such education improves knowledge, leadership, and analytic and strategic skills, as well as instills specialized knowledge about the sector. Whether the growth of nonprofit management education helps create a more professionalized sector remains to be seen. The aim of these programs is to provide understanding of the theories of the origin and existence of the sector and to provide the financial and managerial skills for managing an organization. Professionalism need not necessarily be an outcome of education and training, but it assists in inculcating this characteristic. Moreover, education also helps in creating awareness about the problems and opportunities in this sector and assists nonprofit leaders in finding effective ways to fulfill their organizational mission.

Recruiting Practices

Nonprofit leadership consists of the board and the executive director. The boards consist of individuals from various backgrounds who voluntarily participate in and pool their knowledge, skills, and networks to further the mission of the organization. There is a greater likelihood of an individual accepting an offered board seat if the board is in the same sector as his or her employment (Tschirhart et al., 2009). They can use their contacts with people from their respective fields through employment, professional associations, and networks with former classmates. Further, by drawing the board members from a variety of management educational backgrounds, the organization can benefit in terms of knowledge, skills, and networks associated with the individual. Tschirhart et al. (2009) also suggest that nonprofit staffs should give recent graduates with lesser experience a chance at serving on nonprofit boards instead of focusing on individuals with established careers.

The chief executive or the executive director through his or her able management and leadership skills accomplishes most of the work of a nonprofit organization. Hence, recruitment of a competent person is an essential requirement. Some of the competencies outlined by Block (2001) are informational, interpersonal, and decisional. However, in the continuum of skills required of the chief executive, the boundaries of the aforementioned competencies often blur. Therefore, recruiting a person that is competent and skillful in leading a nonprofit and able to perform multifaceted roles and responsibilities is challenging. Most nonprofits have the Peter Principle problem when it comes to recruiting the chief executive. The size of the organization's budget, mission, geographic location, and reputation are important factors in a person's decision to apply for a chief executive's position. Further, a potential chief executive needs to be aware of the skills and competencies expected of the role and have experience in organizational management techniques.

Training Practices

Over the years, training for nonprofit managers has increased significantly. The fact that executives and managers have access to academic programs and practitioner-oriented workshops on leadership and professional development has helped in providing training and development opportunities. There are avenues such as memberships in professional associations that assist in building networks and alliances with executives and scholars from various fields within the sector. Some of the important associations are the Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA), the International Society for Third Sector Research (ISTR), and the Association of Chief Executives of National Voluntary Organizations (ACENVO). These associations have focused on the professional development needs of chief executives through mutual assistance. Further, scholarly publications in the form of journals (*Voluntas, Nonprofit and Voluntary Sector Quarterly*, and *Nonprofit Management and Leadership*), regular and electronic newsletters on the current nonprofit information, and websites dedicated to resources on grantmakers, nonprofit research statistics, and legal and financial counseling services expose nonprofit leaders to a wealth of knowledge that contributes to their professional development.

Discussion: The Call for Professionalization

The attention and demands on quality, efficiency, effectiveness, and economy of services and the focus on accountability and sustainability of the organization, have increased the need for professional leadership of nonprofit organizations. Only a professional would be able to meet these needs while at the same time perform several different functions in managing the organization. In an era of globalization, where information about the performance of nonprofit sectors across the globe is easily available, a nonprofit leader cannot remain isolated from the developments elsewhere. Researchers in several nonprofit journals have lauded and repeatedly highlighted best practices by nonprofit organizations to meet these challenges. Professionalization is considered one of the best practices. This is because a professional would be able to meet the demands of the stakeholders adequately, maintain the good faith, create credibility, and work toward the vision of the organization.

This raises concern about the way nonprofit organizations have been traditionally administered. The constituent needing the service was the primary focus because the nonprofit sector grew to address the gap between government provision of services and the market provision of services. While governments were concerned with uniform and equitable service provision, the market focused on revenue generation and the ability to pay for services. In these two extremes, certain sections of the society were overlooked. Their needs did not fall under the category of government services because the provision of these needs was not equitable or uniform. These needs were very specific and varied with subsections of the society. The market did not meet these needs because the people needing them did not have the means to pay for the services, and the services did not generate enough revenues to be considered. Scholars have formulated theories that explain the formation of the nonprofit sector. Weisbrod (1975) stated that government addresses the demands of the median voter but leaves other sections dissatisfied with government provisions thus forcing the other sectors to seek alternative avenues such as private service providers or formation of voluntary agencies to provide collective goods.

In the United States, the nonprofit and voluntary sector is as old as the nation. Historically, people often helped each other through informal associations. With formal organization and structure of nonprofit organizations, leading the organization became a key issue. Nonetheless, nonprofit organizations were successful in meeting the demands of its constituents. Soup kitchens were able to serve food to several poor people. Homeless shelters were able to provide shelter to homeless, and hospices were able to provide medicine and treatment to those without insurance. As Ott (2001) pointed out, many nonprofit organizations that resemble large businesses started out as small voluntary associations. Ott cites the examples of Blue Cross Blue Shield and credit unions. The evolution of these organizations speaks of their effectiveness.

The majority of nonprofits in the United States, however, are small with less than $25,000 in annual income. These organizations also have severe resource constraints including limited capacity to support adequate investments in technology or management. Volunteers run most of them. They are the leaders who need the qualities to be effective in service delivery while at the same time accountable to the stakeholders. Their belief in the cause and their dedication to serve people in need becomes more important than keeping track of the numbers served or their performance. Irrespective of the size of the organization, what is important is the satisfaction of the multiple stakeholders. This means the task of addressing the social issue through effective service delivery and at the same time being accountable to stakeholders' demands. The trust and credibility enjoyed by nonprofit organizations will increase substantially when they achieve this task. Further, such credibility will ensure flow of resources to the organization.

To be professional, management education and academic degrees help but are not the necessary factors. Management education can definitely educate and instill executives with certain important leadership skills and skills such as budgeting or planning that can be very beneficial for the organization. Professionalism is a quality that is beyond management skills. Leaders of nonprofit organizations, especially the executive director or chief executive, wear several different hats and perform several functions. Similarly, board members govern the organization, steer it toward the vision, and provide regulatory and oversight functions. These leaders bring forth professionalism by performing their functions with utmost dedication and empathy toward the community, addressing the needs of their constituents adequately and maintaining high standards in accounting and reporting practices. Because the nature of the nonprofit sector is different from other sectors, it is crucial for nonprofit organization leadership to maintain the trust of their stakeholders and those who share their beliefs in the cause.

Professionalism, therefore, is the ability to address the concerns and needs of the stakeholders and maintain their trust while furthering the mission of the organization. It is the administering of management practices that accomplishes routine functions and upholds the standards by which an organization is ranked by external constituents. Professionalism is very important in a nonprofit organization—behavior of the staff toward clients or customers, attitudes toward each other, and so forth. Leaders especially need to demonstrate exceptional professionalism not only to enhance the image but also to maintain the sustainability of the organization.

There are critics (McKnight, 1995), however, who are apprehensive that the overprofessionalization of the nonprofit sector might lead to diagnosing of human issues as problems thereby distancing the service providers from their constituents and the community. It can also drive out other service providers and organizations considered to be less effective. Most nonprofit service providers work in this sector because of their interest in helping the poor and disadvantaged sections of the society. This represents their altruistic behavior. Lubove (1965) argues that if a professional applies expert knowledge in providing solutions and receives compensation for that service, whereas an altruist on the other hand responds out of unrestrained generosity, then how is it possible to have a professional altruist? An altruist would work irrespective of the monetary reward. In addition, professionalism can also have attributes of the mechanistic corporate world with a fixation for efficiency and effectiveness and therefore have a corporate bias, while the nonprofit sector is supposed to be more humane. While efficiency is not harmful, it should not be at the cost of quality and effective service provision. Salamon (2002) cites the example of the Bush administration's 2001 preference in selecting faith-based charities in the distribution of federal assistance. The idea was to replace formal professionalized nonprofit organizations with informal faith-based groups that relied primarily on volunteers.

Future Directions

Emergence and increase of formal management education is to a great deal in response to the increasing focus on professionalization of nonprofit leadership. Although it is commonly believed that management education can help sharpen the skills of executives, empirical research could further the understanding of the relationship or correlation between management education and higher professionalization. This could also help in explaining why some nonprofit organizations reimburse the tuition of their executives enrolled in MBA, MPA, and other such programs. Further, research could also help in furthering the explanation of those successful nonprofit organizations that are not led by executives trained in management. This of course leads to the question of the importance of values to management education.

Summary

Nonprofit organizations are often criticized for being unprofessional in their activities. Leaders of these organizations are the ones facing the majority of these criticisms for not being able to instill professionalism in their organizations. Empirical research showed that due to unprofessionalism demonstrated by nonprofit executives in accounting and reporting practices, grantmakers are apprehensive about giving grants directly to nonprofit organizations. This fear that the money contributed for projects would not be accounted for is in part responsible for the emergence and growth of several intermediary nonprofit organizations. The primary role of these organizations is to pool resources, monetary and human, and identify eligible nonprofits to receive these resources. To be a recipient and part of the network of the intermediary organization, nonprofits need to maintain high standards of professionalism in terms of management and accounting. The credibility of the intermediary organizations is reflected on the nonprofits that are agencies or a part of the network. Association with these intermediaries also ensures adherence to professional management and leadership principles. Those nonprofit organizations that are not a part of the network have to set their own operating norms and standards and strive to accomplish them. Professionalism becomes paramount in achieving those standards. Moreover, wealthy individuals and successful entrepreneurs from the corporate world have also been important for beckoning and encouraging professionalism in nonprofit leadership and in making certain that the resources invested in the social causes they believed in are well spent. They further try to professionalize the management of the organizations to make them self-sustaining. The emergence of nonprofit management programs in universities is also an attempt to enhance the skill sets and make nonprofit leadership more professional.

In sum, professionalization of leadership of nonprofit organizations ensures successful accomplishment of the mission of the organization while addressing the multiple demands of the stakeholders.

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Nurturing the Next Generation of Philanthropic Leadership

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The world of philanthropy, a vital segment of the nonprofit sector, encompasses foundations of every sort and, like the sector as a whole, is at a crossroads. Philanthropic institutions are facing criticisms that were unknown decades ago. They are also confronting the same challenge faced by the rest of the nonprofit world—the need to attract and retain young people and to prepare that next generation to assume leadership positions.

As the baby boomer generation enters the period in which many are moving toward retirement, researchers have conducted studies to determine the impact of their retirement on the nonprofit sector as a whole and have also considered the more specific implications for the philanthropic subsector.

The 2006 Compass Point study (Bell, Moyers, & Wolfred, 2006) called attention to the stark reality that the baby boomer generation would begin retiring in the upcoming 5 years, thus increasing the demand for new leaders. The study also reported that the pipeline of younger generation, or NextGen individuals, was insufficient to fill those positions that would become vacant in the nonprofit sector. And it appears that the philanthropic subsector would have an even greater challenge, since it has even greater barriers to entry.

Twofold Approach to "Nurturing the Next Generation of Philanthropic Leadership"

The concept of nurturing the NextGen of philanthropic leadership will be discussed—from the vantage point of preparing young people for careers in the nonprofit sector in general and more specifically for careers in philanthropy. The point will be raised that attracting and retaining for employment within the field of philanthropy is not enough and that a new paradigm for philanthropy is required.

The traditional approach to this topic would be simply to discuss strategies that should be pursued to attract, prepare, and retain NextGen individuals for careers within the philanthropic sector. Instead, this article will go further to address various critiques of the philanthropic sector and will address some of the suggestions for improvements to the sector that may link with some of the values and interests that are said to belong to NextGeners. The twofold approach will be to examine both the issues involving the need to and the best ways to

1. nurture the younger generation to encourage interest in philanthropic careers and to consider this group as listeners and change agents for philanthropy, and
2. improve the philanthropic arena to make it more attractive and meaningful for the next generation. There is an opportunity for the next generation to make significant changes in the way that philanthropy is done.

Definitions

There are several terms that require clarification in order to explore the topic of nurturing the next generation of philanthropic leadership.

The term *philanthropic* refers to professional philanthropy, or the work of foundations that disburse resources to support or impact various causes. For some, philanthropy is intended to help the common good.

In this article, *nonprofit sector* includes all charitable section 501(c) organizations.

The term *nurture* means to encourage somebody or something to grow, develop, thrive, and be successful, according to the Encarta Dictionary (n.d.). What is meant here is to facilitate the professional development of NextGen individuals to prepare them for leadership within the philanthropic sector.

Leadership is used here in a broad sense in terms of cultivating the ability to guide, direct, or influence people, according to the Encarta Dictionary (n.d.). Leadership within the philanthropic sector is not only limited to the highest staff position, but also includes work at various levels of decision making.

The term *NextGen* is broadly meant to include up and coming generations who may be preparing to enter the workforce and planning their careers. (They are likely under 40 years old.)

The term *subsector* is used with *philanthropic* and is understood as being a part of the larger nonprofit sector all 501(c) organizations.

Foundation refers to institutions that are formally established with an endowment fund and support work to advance a particular cause or mission.

About Foundations

Foundations are created in various forms. The basic types include private, public, corporate, community, and operating foundations. There are also family foundations, which are private, but most often involve at least some members of the donor family in the leadership and decision making of the foundation.

Foundations are often referred to as *elite* institutions. They arose out of the interests of men of great wealth who wanted to do some good with their riches during the gilded age of the Industrial Revolution in the United States. Those who created foundations with a charitable purpose were not required to pay federal income taxes, so they also benefited personally from creating a foundation to contribute to the betterment of society at large.

Some foundations employ professional staff to help them operate. In 2007, only 17.2% of U.S. foundations (those with at least $1 million in assets and grants of $100,000 or more, which is 20,641 foundations in number) had staff. Of the 19,027 total staff positions, 47% were full-time professional positions (http://www.foundationcenter.org/findfunders/statistics). This suggests that there are actually only a few professional employment opportunities in foundations and even fewer openings at any given time. If those openings are considered first for those already in foundation work, there are even fewer available opportunities. However, this should not be a deterrent to those interested in philanthropic careers.

Foundations are reputed to be rather closed to those outside of their circles. It is often the case that there are individuals who wish to work in foundations but never seem able to gain access. Those who do gain access to working in foundations often make lateral moves and work in various foundations over the course of their careers. This further limits the employment openings for others to enter philanthropy as a career option, as openings are often filled by existing philanthropy professionals rather than by new entrants to the field.

Traditional Approaches to Recruit and Retain Younger People

Recruiting and retaining NextGeners to leadership in philanthropy will be discussed from the perspective of the seasoned professional seeking to prepare the way and from the viewpoint of offering direct career guidance for the next generation.

Advice for the Seasoned Philanthropy Professional

If seasoned professionals in the field of philanthropy are interested in encouraging younger generations to become involved in philanthropy careers, there are several issues they should consider.

One issue is that there are a number of traditional routes through which young people seek to enter a new field of nonprofit endeavor. Some become volunteers and become more involved over time. They connect with someone in the field who becomes a sponsor or advocate. They may do a "cold search"—and apply for a job that they find listed on a website. Inadvertently, they fit some criteria for a position at a particular foundation—for example, a volunteer with experience in early childhood, who lives in a particular community that the foundation serves. The young person may be an alum of the same institution as the foundation or head-hunting firm representative and thus taps a connection that may be unknown to the young person. A young person may be a passionate employee at an organization in a certain field (X) whose work comes to the attention of the foundation. Because of that young person's ability, passion, and work on issue X, he or she becomes known to the foundation supporting that work. The foundation representative gets to know the person and helps to bring the young person in on the occasion of a professional-level opening in the given foundation. Not to be forgotten, the Internet in general and other social networking tools of technology have become a staple for younger generations in their overall employment search strategies.

Another issue to be considered by the seasoned professional who wants to encourage NextGeners is to recognize that many individuals may prefer to work directly with those who benefit. Philanthropic work generally means working from a distance; it is not direct hands-on work with clients. It is, however, work that enables organizations that serve the various constituencies to do their work, through the provision of some of the necessary financial resources. Philanthropic work can also provide an opportunity to become involved in influencing research or policies related to particular fields of study or causes. The tangible benefits of philanthropic work are not always immediately obvious for those who may seek hands-on involvement. However, those who seek involvement at the systems level may be attracted to the world of philanthropy.

Nurturing as mentoring should be another area of concern for the seasoned philanthropy professional. It is important to examine some of the elements that comprise nurturing new leaders. If mentoring is intended, then there are strategies to help engage NextGeners and provide them with one-on-one interactions with senior-level foundation professionals so that they can learn more about the philanthropic world from the inside.

The seasoned philanthropy professional might also consider looking *inside* the organization for potential new NextGen philanthropic leaders. Bonner and Obergas (2008) conducted a study of 36 human service organizations, and developed a practical model for internal leadership development. NextGeners who are already in a philanthropic organization could benefit by the sort of attention that these authors propose. The following summarizes that model and what current organizational leaders should do:

- Identify the challenges and strategies that will impact the organization over the next 5 years.
- Create the model of a core set of leadership competencies and behavioral characteristics that will be needed to overcome the challenges and execute the strategies.
- Identify a possible pool of high potential successors for the job in question.
- Use the competency model to assess the leadership potential of each person in the high potential pool.
- Using the results of these assessments, identify who is *ready now*, *ready in 2 to 4 years*, or in some cases who will be *better as individual contributors* rather than leaders of others.
- Create a tailored development program for each individual to improve his or her abilities and close the gaps in the competencies. Ensure that measures of success are embedded in the program. Measure progress frequently and provide useful feedback to the individual. Use this pool of talent to fill positions when they become available.

This model for developing leadership from within offers an alternative in light of the finding that "fewer than a third of nonprofit chief executives are internal hires" (Bell et al., 2006, p. 26).This figure compares with "for-profit companies [that] fill 60–65 percent of their senior management positions by hiring from within" (Tierney, 2006, p. 16).

Advice for the NextGeners on a Nonprofit Career Search

NextGeners might consider basic nonprofit sector career guidance provided by Shelly Cryer in a 2008 publication. She provides a set of key issues to be addressed in a nonprofit career search that are easily relevant for philanthropic employment as well (p. 168):

- Understand yourself.
- Consider what issues you care about.
- Determine what type of work you've enjoyed.
- Assess your strengths and weaknesses.
- Consider how and where you choose to live.

Cryer (2008) offers numerous other suggestions—direct from interviews with nonprofit leaders in a host of different fields, organizations, and positions. She offers practical tips on the job search itself. Her book is written to be accessible for those seeking to enter the nonprofit sector and who may enjoy the wide variety of approaches in the advice that is offered.

Career Preparation Tips for a Foundation Candidate

There are two major skill-set tracks that NextGeners might consider for entry into the world of foundations: as a generalist bringing written, verbal, and analytical skills; or as an expert in a given program area. Additional tips to follow in pursuing a foundation professional position might include the following:

- Know the organization   mission, vision, history.
- Get to know the culture   what is important there, how people treat one another, the leaders' priorities, how grantees are talked or written about.
- Know your strengths   address the fit of your strengths with the organization's needs; make the case for what you will do for the organization.
- Learn about the family's history and values if it is a family foundation   determine if you are a fit, what role family members play in decision making, how outsiders' views are regarded in the decision making process.
- Learn about some of the key funds if it is a community foundation   address how you might be an asset in working with a particular strategic area.

Taking these steps and preparing oneself as suggested above are necessary but not sufficient. There is a need to look deeper. Nurturing is the focus here, which suggests a caring effort and one that will be long lasting. If impact is sought, then it is necessary to look at the context into which those NextGen leaders will be placed. Changes in the philanthropic environment itself will be needed if those NextGen leaders will feel they have a stake, that they can be effective and really make a difference. The discussion about changes for the overall philanthropic context will follow in the second half of this article.

Cultivating Helpful Relationships

Another basic career search tip for NextGeners is to develop a *personal board*—that is, those who will encourage and critique his or her professional development. To develop such a board and ensure that it is well-rounded, it is important to bring in people from different backgrounds and experiences. Carla Harris (2009), in her recent book, *Expect to Win: Proven Strategies for Success From a Wall Street Vet,* offers advice that can easily be adapted for the NextGener seeking to enter and become successful in the philanthropic arena. Ms. Harris says that one should cultivate three key relationships: a mentor, an adviser, and a sponsor to advocate on your behalf. These individuals and others on a personal board can serve as a sounding board and offer advice on the politics of an organization and the underlying meanings that are often critical to success. Many assume that the nonprofit and the philanthropic worlds are noncompetitive and that passion for the work, even in a foundation, is sufficient. That is an unrealistic perspective, particularly given the economic downturn of the third quarter of 2008 and early 2009, when holding a job of any sort is no longer taken for granted.

What Else NextGen Leaders Need for Philanthropic Careers

Beyond the skills and experiences cited earlier that a NextGener might bring to a foundation, there is a whole host of other skills and experiences that are often valued but not necessarily discussed outright.

One important skill is sensitivity to different communities. Society has become increasingly complex, and different groups present a variety of needs for programs and services. It is standard practice to create more customized approaches to program development rather than any "one size fits all" model of programming. As a result, it is imperative that foundation professionals learn to deal with differences—of every sort imaginable. Racial-ethnic, gender, gender-orientation, age, disabilities, religious, and geographic differences and more must be acknowledged and considered in programming and funding.

Another skill area that foundation professionals need to cultivate is value for collaborative work to solve problems and address challenges. Sandra Guthman, president of the Polk Brothers Foundation, commented in a 2009 presentation that their foundation culture is a collaborative one. There is a firm belief embodied in their work that the foundation staff is in partnership with the communities they serve to address the challenges faced by those communities. That perspective is one that moves away from the more traditional assumption that the grantmaker is the only one who brings knowledge and expertise to the grantmaking relationship.

Another important skill for NextGen foundation professionals to gain is suggested by Bonner and Obergas (2008), who conclude in a report that "the role of the nonprofit leader today and in the foreseeable future will be one of mastering fluidity, complexity and turmoil. . . . To be successful, individuals will need to develop both technical skills and leadership competencies" (p. 4).

Resources for NextGeners

There are existing career preparation programs for foundation professionals that might be helpful for NextGeners. One such group, Emerging Practitioners in Philanthropy (EPIP), was formed "to strengthen the next generation of grantmakers, in order to advance effective social justice philanthropy" (http://www.epip.org/about.php). EPIP has developed programming that offers networking opportunities for their constituents both locally and nationally and cultivation of leadership and analytical skills for their members to facilitate their effective work in philanthropy. The group also strives to strengthen the role and voice of advocacy to transform philanthropy and encourage and enable younger generations to enter careers in social change philanthropy. Leaders of EPIP attribute its development to a felt need to provide nurturing and professional development to the younger generations of nonprofit professionals who were brought into the philanthropic arena during the growth of foundations in the 1990s but were left to drift on their own without adequate support.

There are fellowship programs that currently exist to prepare individuals for philanthropy careers. Several are mentioned on EPIP's website. Another example is one offered by the Associated Grantmakers of Massachusetts—the AGM Diversity Fellowship Program. "This fellowship program aims to inspire the next generation of philanthropic leaders among people of color by offering training and support to a select group of passionate, emerging professionals. We strive to increase the number and proportion of people of color as staff—and executives—in the field of philanthropy" (www.agmconnect.org, n.d., "Diversity Fellowship Program").

Many general networking groups exist to bring together NextGeners who work in the nonprofit sector. Young Nonprofit Professionals Network (YNPN) has chapters around the country. The Chicago chapter strives to "strengthen the nonprofit community by providing accessible professional development, resources and networking opportunities for young professionals involved in the Chicago-area nonprofit sector" (http://www.ynpnchicago.org).

Changing the Way Philanthropy Is Done

The topic of nurturing the next generation of philanthropic leaders has been explored from several points of view. Several critiques of philanthropy, as well as a discussion of the opportunities to improve how philanthropy is done as a strategy to more effectively attract NextGeners into the world of professional philanthropy, will be offered.

Timely New Opportunities for the Philanthropic Sector

If the focus is only to nurture the next generation to encourage its interest and readiness for leadership in philanthropic organizations, then the outcome will be limited. In that case, the following would be assumed:

- There is only the need to attract and retain the next generation to attain sufficient numbers of NextGen employees.
- There is only the need to pursue the same recruiting strategies from the past and be successful.
- NextGeners will look at the sector without any criticism and want to belong that is, they will offer no critique that might cause them to lose interest and deter them from seeking entry.
- The existing barriers to entry will not deter them.
- Other professional options will be less attractive.

The reality is that the philanthropic sector requires examination and improvement itself. There is an opportunity now, more so than in the past, to pursue actions that impact the sector in positive ways. Professionals can now choose to move the philanthropic sector closer toward its intention to serve the common good.

In retrospect, it is apparent that the U.S. society as a whole has become self-interested and self-absorbed. There are many examples that indicate individual and organizational choices have been made primarily based on self-aggrandizement and self-enrichment—even in the charitable and philanthropic arenas. At this point in time, there are two major events that should exert some influence on U.S. society's self-absorption. One is the economic downturn of 2008 to 2009 that has reached every individual from Fortune 500 CEOs to the average homeowner. The second is the election of a president of the United States whose vision is to renew the democratic promise of this society and engage and empower all Americans. The convergence of these two events offers a rare opportunity for the NextGeners. This means that NextGeners, newly empowered due to their role in the nationwide engagement of individuals to participate in the democratic process, may go further and insist on change at every level—even in the world of philanthropy—before they become enmeshed in status quo philanthropy.

Criticisms of Traditional Philanthropy

In an effort to enhance the attractiveness of the field of philanthropy for younger generations, some of the problems and criticisms of traditional philanthropy will be examined. This discussion will include views of the philanthropy professional, the power dimension emerging from the structure of philanthropy, and other criticisms.

Who are philanthropy professionals? Historically, they are gatekeepers. In almost any role involving applicant organizational contact, a philanthropy professional is helping to admit or reject the applicant organization. In the gatekeeper role, there is a choice to make: Will the philanthropy professional perpetuate the institution and its (often exclusive) norms or choose to be more inclusive and strengthen accountability to the community served. The notion of accountability here goes beyond that owed to the institution whose funding the philanthropy professional is entrusted to administer, for it extends to those the foundation serves—that is, the organizations and communities that receive the foundation's resources.

In some communities, foundations are viewed as institutions that are historically white and inherently racist. The view of the institution as racist pertains to the exertion of power that is discharged in a manner that often discriminates (even unintentionally) against people according to race. This perspective of institutional racism is akin to *structural racism* and has been addressed in literature on community change.

> Structural racism refers to a system in which public policies, institutional practices, cultural representations, and other norms work in . . . reinforcing ways to perpetuate racial group inequity. It identifies dimensions of our [U.S.] history and cul ture that have allowed privileges associated with "whiteness" and disadvantages associated with "color" to endure and adapt over time. (Lawrence, Sutton, Kubisch, Susi, & Fulbright Anderson, 2004, p. 11)

The point in offering a perspective of foundations as institutions that embody structural or institutional racism is to generate thoughtful critique of foundation practices and their differential impacts in the context of different communities.

The philanthropy professional is often unwittingly caught in a position of dealing with applicant organizations in a manner that may be uncomfortable—for both. When the foundation has resources and sits in the seat of power over organizations who seek those resources to implement programs, the professional working inside that foundation may feel conflicted. The professional may feel bound to the foundation's formal position toward an applicant organization but have other feelings (e.g., a sense of inequity according to race) on a personal level.

In fact, the traditional complicated nonprofit sector's *threefold relationship* is the overall context in which the foundation professional also must operate.

In that threefold traditional nonprofit relationship, there is a client who often does not pay for the service, the agency that provides the service but needs resources from others, and the funder. Note that those making the decisions are not always the funders; those receiving funds are not always the decision makers or those with the resources. There is an obligation to respect that balance and figure how to best serve those who are on the receiving end of the funds and services.

From the perspective of philanthropy, the relationship becomes fraught with a power dimension and another, deeper aspect. The funder provides resources to solve problems or address the common good. However, in the process, the funder assumes control, and "does unto." The recipient of philanthropic largesse often is viewed as passive, and the foundation can be viewed as patriarchal. The service agency is the intermediary and is expected to implement programs to ensure that common good is addressed along the programmatic lines that are prescribed by its mission, and the funding agreement.

In addition, in today's climate, philanthropy must now compete with other models for doing good in the world—to get the best and the brightest to work in the sector. There are many more choices now to do good through for-profit social enterprises, microfinance, and other organizational configurations outside of the traditional nonprofit charitable models.

Disparity Between Grantee Expectations and Realities

Another criticism of traditional philanthropy deals with the communication between the funder and grantee. It is often viewed by the grantee as inadequate, and sometimes as misleading. If foundation professionals engaged in an exercise to imagine themselves on the other side of the table in the grantee's "shoes," they might gain valuable insights into the entire grantor/grantee relationship. In the following, the vantage point of a prospective grantee will be presented to illustrate possible lessons and identify some communication problems to funders.

The grantee may have limited knowledge of foundations. Research indicates that with the "right" cause and a great proposal—there is an opportunity to receive funding. The grantee may also assume that

- all one needs to know about the application process is found on the website or in materials supplied by the organization;
- when one writes a proposal that adheres to the guidelines the foundation provides, there is a fair chance to be funded;
- the funder cares and will be respectful of the applicant organization and of those served through the organization's programs;
- the timing will be reasonable between application, decision, and receipt of a check; and
- the funder will provide notice of any problems with the application that are outside of the obvious criteria, so they can be corrected in a timely fashion.

Many organizations' experience with foundations does not fit these assumptions. In fact, some organizations' experiences include the following:

- A sense that the funder does not care about the organization or the people and communities it serves
- A sense that the funder will only support organizations with personal connections (either with the foundation board members, senior staff, or program officers)
- An applicant organization that may submit an application and never receive any response
- An applicant organization that may experience a complex web of interactions with the foundation professionals that cause the organization to conclude that dealing with foundations is not worth the trouble

Foundation Bureaucracy Gone Awry

Another problem can arise where a grantee's experience with the foundation becomes enmeshed in the foundation's bureaucracy. Whatever the cause, the resulting convoluted process can further confuse grantees. The following story illustrates such a situation.

Agency ABC had a board member who knew the president of Foundation X, and they talked over an idea. The foundation president said to submit the idea for joint funding. Agency ABC had already secured funding for the project from another foundation. ABC submitted the required information and met with the new program officer (PO) at Foundation X. The PO was not especially impressed with the idea and suggested withdrawing the proposed concept. ABC board member went back to Foundation X's president to discuss the issue. The president intervened. The PO called ABC representatives back for a meeting and shared his concerns. He also offered an alternative idea and said he would basically ensure funding of the alternative idea. ABC representatives revised the proposal, submitted it, and worked with the PO to comply with all his requirements. The new project was funded, and the check was received. Agency ABC had kept the first foundation informed and now went back to ask if they would still agree to fund half of the new project. They took 2 months to respond. Then, they said no—it was not their original agreement and did not meet their goals. Agency ABC called Foundation X again to relay the news, since X's funding was not sufficient to support the entire "new" project. Foundation X's PO said, "Oh, I was going to call you. Instead of funding the new project, I have an opportunity to support the original project—it fits within the scope of another collaborative initiative that I'm supporting. Get me a letter, and we'll change the focus back to the original project."

This feedback was a surprise to Agency ABC. They were shocked at the way all of these events had transpired. They were happy to gain support for the original project. They just could not believe the process they had experienced.

This story involved seasoned professionals in Agency ABC who were experienced in dealing with foundations. They did not take any of this process personally. In fact, they knew that they were treated better than many applicants because their board member had a personal friendship with the foundation president.

It should be considered, though, if Agency ABC were a small, community-based group with no experience dealing with foundations, it might have interpreted the events in a completely different way. The agency could have concluded that foundations as a whole were not welcoming and not interested in serving anyone beyond a closed circle of their friends.

Taking the perspective of the grantee when viewing the work of foundations can offer a sobering look at reality for incoming foundation professionals. It is a viewpoint that can help in the preparation process as well.

Additional Critiques of Philanthropy

A number of perceptions that might negatively impact the desire of NextGen folks to enter the world of philanthropy are presented in the following:

The Aspen Institute engaged Mark Rosenman to conduct a study of philanthropy—the elements that foundation leaders believed needed to change—to better position the world of philanthropy "to more effectively promote social change" (2010, p. 1). This fits with the vision of changing philanthropy to more fully focus on the "common good," as was its earliest intention.

There were four criticisms of philanthropy that emerged in interviews and focus group discussions with over 100 foundation and nonprofit organization professionals in this study:

> Recently . . . policymakers have questioned whether foundations adequately benefit society and those in greatest need, given the public cost of the tax exemptions and other special treatment extended to them. (Rosenman, 2010, p. 7)

There is a widely accepted rationale for foundations' existence—to serve the common good.

> Often center left foundations and nonprofit organizations hesitate to question the larger values context in which they operate, and seem more comfortable when they restrict themselves to the realms of supposedly value free emotions and intellectualized ideas. (Rosenman, 2010, p. 11)

> Many interviewees stated their conviction that foundations tend to reflect the wider society's inequitable power relations in their grantmaking, and have organizational cultures, staffs and boards that serve to direct resources inordinately to "mainstream" institutions, organizations and programs. (Rosenman, 2010, p. 12)

> Foundation funding practices have helped create silos in the nonprofit sector where . . . problems are broken down into fragmented issues with groups specializing in narrow approaches to their resolution. Funding too often is done by program areas that cast problems in ways that are simplistic, mechanistic and isolated from the interrelated and intertwined aspects of an individual's or a community's life and the realities in which most organizations work. (Rosenman, 2010, p. 15)

These criticisms of foundation work are not meant to minimize a great deal of overall positive impact. The comments offered in this study are intended to catalyze action to make improvements in philanthropy. They are offered here as instructions to future philanthropic leaders—to help them understand some of the criticisms offered that they may have opportunities to address and change. Other criticisms are offered in the same spirit in the following paragraphs.

Rob Reich (2007) talked about the connection between philanthropy and liberty as well as equality. However, he argues

> that philanthropy is not always a friend of equality, can be indifferent to equality and sometimes even a cause of inequality. When philanthropy causes or worsens inequality, it can be harmful and at odds with social justice. . . . But when philanthropic activity actually worsens inequality, any justification for the state's provision of special tax treatment to philanthropic organizations is considerably weakened, and perhaps entirely eroded. (p. 2)

Another view is offered by Ira Silver (2007), where he argues that alternative philanthropy models also mirror the very class distinctions that it criticizes and purports to rise above in its grantmaking. He says,

> Foundations are instrumental in reproducing the class privilege of elites. Since the 1970s, a cluster of "alternative" foundations has responded to this critique in two ways: (1) By distributing grants to recipients largely overlooked by mainstream philanthropy: marginalized groups organizing for progressive social change, and (2) By making grant decisions in ways that explicitly aim to challenge the class power foundations traditionally exercise. (p. 537)

The method for accomplishing this alternative grant decision process, Silver (2007) explains, simply reinforces class distinctions because donors are either excluded from the decision-making process or put together with community activists to make allocation decisions in a collaborative manner. If we consider the coproduction model, it becomes apparent that the alternative foundations still are not including the client who is the service recipient. Instead, he argues that the alternative foundations have chosen other community representatives to speak on behalf of the clients—who remain disempowered in the process.

New Philanthropic Solutions

In an article, David Boyle (n.d.) commented that public policy failures (pertaining to welfare) are the result of an inability of those public institutions (philanthropy included) to work alongside those who seek or need help (p. 3). Boyle refers to a term that encompasses many social experiments taking place under this rubric of working together—*Co production*—first coined, Boyle says (p. 2) by Edgar Cahn:

> Put simply the Co Production idea means that if they're going to succeed in the long term welfare programs, policing or health, need to be equal partnerships between professionals and clients. . . . On the one hand, the "consumers" of justice, mental health services or health insurance are involved with professionals in a whole new series of reciprocal partnerships. (pp. 2 3)

This view of philanthropy is emerging from various segments, and NextGeners are suggesting similar ideas. The concept of co-production is gaining broad legitimacy—both in new conceptions of philanthropy and broadly in the views about public services.

Stewart Wallis (2004), in the preface to a book on co-production made the following comments:

> There are two headline concerns in public service delivery today: money . . . and choice. But there is a third issue, vitally important and yet largely ignored: the powerful potential to improve public services by enabling people to use their skills and capabilities to the fullest . . . by people I do not just mean the doctors, nurses and teachers but also patients, students and the wider community.
>
> The delivery of public services should not just be about one set of people doing something to another passive receptive group but about everyone working together to attain far better, and further reaching outcomes. . . . The two way approach to public services generates a wide range of positive effects in terms of sense of self worth and overall well being. What we are talking about here is not a feel good "add on," to be considered when there is spare capacity, but a vital component in understanding how to organize public services in the future   "co production." (p. 5)

Implications for Nurturing Philanthropic Professionals

Co-production suggests a different paradigm for training new philanthropic professionals. Instead of learning for new philanthropic professionals that focuses primarily on the grantmaking process—procedures, needs assessments, outcome measures, analyses of proposals, and similar techniques, other skills will be required. There will be a shift necessary in the way philanthropy views the clients and communities who are served. There will be a need to shift away from the view that the individual or institution with financial resources is at a higher level in a hierarchy and possesses all knowledge and skill to solve the problems at hand.

Instead, a new perspective for philanthropy should consider that everyone has something to give, and professionalism does not mean that only professionals have knowledge and expertise to share. In addition, the future philanthropy professional should

- be able to deal with "deep diversity" (Mead & Capek, 2006),
- advocate for change,
- believe in strengths based approaches to support, and
- always be willing to question one's own individual and institutional perspective.

There are other dimensions of being a philanthropy professional that could be considered by an aspiring young leader in light of other philanthropic institutional realities.

The place of the philanthropic professional can be complex and challenging. The philanthropic professional can bring elements to the complex relationship (between funder and grantee) that will move away from the status quo and offer other important qualities. Some of those elements needed in the future might include

- ethical leadership;
- focus on mission and positive outcomes for those served;
- consideration of the consequences of all actions and decisions, not just the intent; and
- a sense of connectedness with the world and people in it   a global perspective.

The Source of New Leaders Can Offer Another Solution for Philanthropy

A number of career strategies were offered earlier for individuals interested in nonprofit careers. Additional ideas were presented that were specifically connected to careers in the philanthropic sector.

There is another issue here. It has to do with the *source* of philanthropy professionals. As stated earlier, studies indicate that the pipeline of potential nonprofit leaders for the future is inadequate; this suggests that potential leaders for the philanthropic subsector are in even shorter supply.

However, another perspective is possible. Consider the traditional sources for foundation professional staff:

- Recent college grads
- Former grantees who are experts in particular program areas
- Consultants who worked with the foundation
- Foundation professionals making lateral moves from other foundations

When searching for staff primarily from these more traditional sources, the possibility exists for regenerating the status quo of who is involved in philanthropic work and their perspectives on that work. It is possible that there are other, overlooked sources. Some of these include young nonprofit professional groups and young community leaders engaged in advocacy and other work; associations of individuals in different lines of professional work like social workers, black MBAs, and others; fraternal associations (i.e., fraternities and sororities); and university alumni groups. Also to be considered are numerous other groups of young people involved in volunteer work in their communities, religious institutions, and schools whose experiences are preparing them for leadership. Additionally, there are nontraditional groups—including various immigrant groups and communities and colleges and universities that serve primarily immigrants and people of color.

Summary

In this entire discussion, several key issues have been approached from different points of view. Future generations of young people can be guided toward an interest in the nonprofit sector and more specifically the philanthropic subsector through many routes—both traditional and newer alternative routes. They can come from traditional sources and those that are nontraditional. It is imperative to realize that they may question the value of careers in the philanthropic sector; they may want to drastically change the way foundations conduct business and interact with society as a whole.

This article considers ways to cultivate those future leaders for the philanthropic sector—by discussing the career trajectory and by examining the philanthropic world itself. The examination of philanthropy as a career magnet has been done by providing a sampling of the critiques offered. It is assumed here that the positive outcomes that occur as a result of the world of philanthropy stand on their own. It is less often that some of the frank questions are raised. If there is concern about the thorough preparation of future leaders for the philanthropic sector, criticisms of the sector should be part of their education as well. Future leaders have a special opportunity to bring about change within philanthropy at a level never before considered.

Some lessons bear repeating for NextGen philanthropic leaders. As NextGeners consider their work in philanthropy, which often engages with individuals and groups from various communities, they should remember the following:

- Be open or transparent.
- Realize that time and money are limited resources for nonprofits.
- Be alert to race or class issues.
- Remember that one is providing a service and not dispensing one's personal assets.
- It is a two way transaction. The grantee has a resource also the services that will be provided with the assistance of the foundation's resources.
- Realize prospective grantees may be afraid of asking the wrong question for fear of how it may influence their chance at funding. The foundation has the power on its side.

Finally, at a Council on Foundations conference some years ago, Dr. Roy Menninger (1981) spoke about the "God complex"—a phenomenon that still causes concern for foundation staff:

> Staff members sometimes find it hard to remain properly humble when they believe they are probably brighter, and cer tainly wiser, than either the board or the seekers. Succumbing to the seductions of the God complex is a real occupational hazard. Having money to give away and the power to decide whom to give it to is intoxicating, and foundations can be irri tating examples of the "narcissism of the righteous."
>
> . . . On the other hand, foundation staff who are commit ted to do good have to be careful of the personal costs that might be incurred in their determination to do good. The desire to do good, can come into conflict with the desire to be liked and to be viewed as helpful, and manifest itself in self doubt, and even over identification with the grantee. This personal conflict can become paralyzing, to the extent that the foundation representative . . . overreacts in the opposite direction, at which stage they seem curt, cold, and withdrawn. (p. 5)

In the spirit of Dr. Menninger's remarks from several decades ago—NextGeners can help keep themselves immune to the God complex by becoming connected in the nonprofit world through volunteer work outside of any foundation job duties and where their foundation role is unknown and by involving themselves with friends and other networks outside of philanthropy where their foundation work will not be elevated into near sainthood. Staying grounded is key for a productive and effective career in philanthropy.

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Growing Your Career

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Careers are always careers in context. Being central to individuals, organizations, and society, they cannot be restricted to the narrow view of individuals moving up corporate or professional hierarchies (Mayrhofer, Meyer, & Steyrer, 2007). The nonprofit sector presents a specific mix of forms of organizing. It combines both traditional organizations with strong hierarchies (e.g., Red Cross, hospitals) and project-based employment (e.g., cultural projects or relief organizations). Somewhat counterintuitively, these specific forms of organizing do not necessarily imply specific forms of careers. Rather, careers in the nonprofit sector tend to oscillate between different forms of organizing, for example, working for an established social care organization may be one career step and participating in a drug prevention project the next. A common and crucial feature throughout the sector, though, is that funding limits employment contracts—even in traditional organizations.

From an individual point of view, the nonprofit sector thus constitutes a career field in which many jobs have an expiration date. Furthermore, we find a specific structure of human resources (HR) in nonprofit organizations (NPOs): Persons regularly employed work together with volunteers, members of religious orders, and civil servants. The share of part-time employees is considerably high. A career field with such characteristics is interesting for two reasons:

1. In the future, career fields are unlikely to present the either–or of project careers or organizational ones (e.g., the film industry as opposed to public administration [Jones, 1996]). It is rather more likely that in the majority of cases, permanent and temporary forms of organizing will coexist. The nonprofit sector can be studied as a testing ground of such forms of organizing society.

2. With around 10% of the average Western economy's workforce employed in the nonprofit sector, this sector already constitutes a career field of considerable economic importance and academic interest. In spite of that, careers in the nonprofit sector have not been systematically researched so far.

Two Faces of Success

Career research has distinguished between an objective and a subjective career (Hughes, 1937): The former is defined as directly observable, measurable, and verifiable by an impartial third party when looking at attainments such as pay, promotions, or occupational status. The latter is experienced directly only by the person and defined by an individual's reactions to his or her unfolding career experiences. In other words, the subjective career is "the moving perspective in which the person sees his life as a whole and interprets the meaning of his various attributes, actions and the things which happen to him" (p. 63).

Thus, careers and career success are Janus-like: There is an objective (or external) dimension, often measured by salary levels, rank of promotion, and occupational status (Judge, Higgins, Thoresen, & Barrick, 1999); as well, there is a subjective (or internal) side, for example, expressed in career satisfaction (Gattiker & Larwood, 1986). For a particular work context, industry, and strata of the workforce, certain objective criteria of success apply. All these measures are somehow linked with an individual's contribution to the success of the organization, be it through sales, production, cost saving, or innovation. Controllers and HR departments alike spend time devising meaningful measures to design remuneration and incentive packages. Consequently, objective career success is largely determined through what the particular organization or industry considers successful: In the business world, income is a key measure; among academics, publications or impact points serve a similar function, while the tennis sport community uses the Association of Tennis Professionals (ATP) rankings to measure success. The following measures regularly appear in order to make this objective career success operational (Childs & Klimoski, 1986): earnings, prestige, budget responsibility, career identification, problem-solving effectiveness, job effectiveness, numbers supervised, peer rate, and progress.

However, this narrow definition of career success reveals some major problems. A purely objective notion of career success ignores the fact that careers have the two aspects mentioned above, and it stands to reason as to which is the more important one. It also ignores different organization and career contexts in which these measures make more or less sense. But if every career also has a subjective element, then subjective, psychological, or intrinsic success will be something that, while it cannot be separated from the objective element of an individual's career is still the individual and subjective interpretation of just those events. One doctor might be frustrated because the war interrupted his career and seriously hindered his chances for advancement, whereas another will rejoice because war afforded him the chance to do what he has always wanted to do, namely, to help people (Pellegrin & Coates, 1957).

Most studies that refer to subjective career success use career satisfaction as the core metrics. But it is doubtful whether career satisfaction can be clearly distinguished from job satisfaction. Consequently, career satisfaction might be high due to a motivating job but not necessarily due to the perception of success. Arthur and Rousseau (1996) found that the majority of career-related studies focused on objective perspectives. Since then, however, subjective criteria have increasingly been adopted (Arthur, Khapova, & Wilderom, 2005). Yet there is no consensus on how to measure this multifaceted construct, which comprises satisfaction, subjective perception of success, work-life/private-life balancing, and so forth.

So how are career success and overall happiness related? There is much evidence that many people are objectively successful but unsatisfied with both their careers and the rest of their lives (Reichel et al., 2006). This can be due to a number of reasons: because the demands of the job and those of the rest of life are conflicting, because one's expectations for job and career remain unmet, because the individual senses a lack of control over his life, or because he has stronger affiliated needs than are satisfied at work. *Work centrality*, measured by the weekly working hours and the subjectively invested share of life-energy into the job, contributes significantly to both subjective and objective career success (Mayrhofer, Meyer, Schiffinger, & Schmidt, 2008). Finally, as one progresses through life's stages and one's choices narrow, the objective success can often feel shallow.

Objective success seems to increasingly cost much more in terms of personal life sacrifices (Evans & Bartolomé, 1981): In the United Kingdom, 1.65 million people work more than 60 hours a week in 2003, and they take fewer holidays than before; stress-related absence from work costs British industry £370 million a year. All this indicates that being successful in one's career does not necessarily square with being successful overall or with feeling successful. In fact, there is evidence that managerial lifestyles often inhibit people from doing what they really want to do (Linder, 1970).

But career practice still upholds the notion that the less of a life outside the job one has, the better and the more useful one is to the organization (de Graaf, 2003). However, this is not necessarily true. There lies great potential in actually trying to set up the work situation so that family life can be well-lived out (Mulgan & Wilkinson, 1995). But to reap these benefits, one needs to recast the view as to what constitutes an ideal employee. Empirical evidence suggests that the greater an individual's perceived work-family conflict, the lower his or her career success (see also Mayrhofer et al., 2008). This effect is stronger for women than for men, for the elder than for the younger. Consequently, we also have to take into consideration work-private-life balance to establish comprehensive measures of career success, which should cover at least four dimensions: (1) objective career success and the rewards by which that is measured, since subjective career success is in part a processing and a reaction to those rewards; (2) job satisfaction, that is, how the job itself is going; (3) career satisfaction, which deals not only with the job at hand, but also with the more long-term prospects of work and development; and (4) finally, life satisfaction. Life satisfaction and job satisfaction overlap and so do career satisfaction and job satisfaction, but they are not the same. Subjective career success overlaps with both of those terms but is broader. On the other hand, since it is an evaluation of objective career experiences, it overlaps as well with objective career success.

Moreover, career success definitions will vary according to gender, culture, and career context, and according to personality and motivational makeup. This allows us now to define career success as follows: Objective career success is the outcome of one's career as measured against objective criteria, such as income, span of control, and hierarchical advancement. Subjective career success is the evaluation of one's career according to personal criteria. To illustrate what elements go into that evaluation, see Figure 91.1. This includes, on the one hand, evaluations of the job itself, the career, and one's life as impacted by the career. On the other hand, these evaluations are made in comparison with different personal standards, which include self- and other-referent elements. It is a multidiscrepancy process in which one compares the status quo

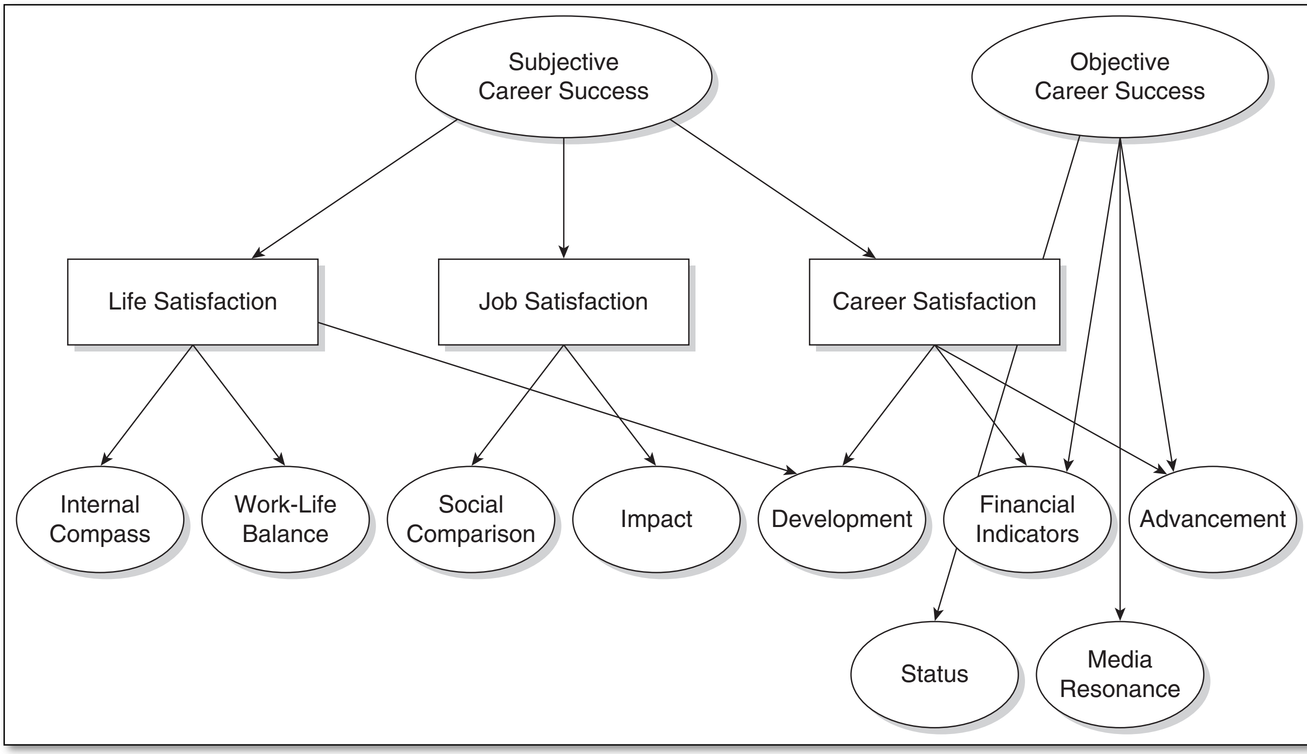

Figure 91.1 Subjective and Objective Career Success

SOURCE: Steinbereithner, 2006.

with various reference points. What weight (if any) each of these referents play depends largely on personality, gender, culture, and career context. This means that subjective career success is a composite construct. How the various elements interact and what weight each of them has depends on personality, gender culture, and career context.

Influencing Factors: The Importance of Career Capitals

Within the practice-theoretical framework of late French sociologist Pierre Bourdieu (see Bourdieu, 1977), individual actors are understood as producers of social practices. Social practices comprise all enactments that can be observed and attributed to an individual. Such practices can be not only concrete decisions and (inter)actions in work life, for example, staffing decisions or contract negotiations, but also everyday activities, such as shopping or traveling, and habitual features, such as gestures, language, or clothes. Individuals produce these practices drawing on a portfolio of resources, which consists of different forms of capital. Bourdieu (1986) distinguishes four forms of capital: (1) *economic capital*, that is, monetary income and wealth in a general sense; (2) three forms of *cultural capital* including (a) incorporated cultural capital—roughly an individual's capabilities resulting from education and upbringing, (b) objectivized cultural capital—material objects that represent accumulated knowledge or competencies, and (c) institutionalized cultural capital—the legitimized form of incorporated cultural capital as represented in degrees, diplomas, and titles; (3) *social capital*, which consists of the resources that can be mobilized due to membership in a specific group. These three forms of capital provide basic resources for all types of social action. Actors either acquire economic, cultural, and social capital by themselves, for example, during socialization, or inherit it from their parents and ancestors. Inherited capitals, for example, in the form of wealth, education, and social networks, significantly facilitate further capital acquisition; (4) *symbolic capital*, which can best be understood as a "state of aggregation" of the other three forms of capital, depending on the mechanisms that generate field-specific reputation. Specific social fields evaluate different combinations of economic, cultural, and social capital in a specific way. In the nonprofit field, for instance, successful careers depend on specific sets of capitals.

Depending on the social context, all forms of capital can take a particular shape, which is particularly recognized within this context and symbolizes wealth, social status, or success, for example. Each individual draws on a specific portfolio of these forms of capital to produce social practices. In work contexts, for example, individuals can use private contacts (social capital) to facilitate business contracts, or they can use titles (cultural capital in its institutionalized, symbolic form) to signal status and influence. During most of their work time, though, individuals use their knowledge and creativity (incorporated cultural capital) to earn economic capital. The transformation of capital into concrete (work) practices is mediated by what Bourdieu calls *habitus* (see Bourdieu, 1977). Habitus works as an internal framework, which influences how individuals perceive the world and how they (re)act within it. It is not determined but essentially shaped by an individual's position in society. Individual actors produce practices within social fields. According to Bourdieu, a field is a patterned set of practices that suggests competent action in conformity with rules and roles as well as a playground or battlefield in which actors, endowed with a certain field-relevant capital, try to advance their position. As such, they constitute a network of positions, a playground where actors try to follow individual strategies. If you act according to the rules of the game as defined by the specific set of capital most valuable for holding power within the field, you will also contribute to the reproduction of the fields.

These fields include business, culture, politics, or academia. In the business field, investment of economic capital will produce the most benefit, while in the cultural field, specific forms of cultural capital will be most beneficial. In the field of politics, likewise, social capital works very productively. Other field characteristics include the number and type of actors involved and the typical trajectories within a field. We have used this framework to analyze the nonprofit sector as a career field (Iellatchitch, Mayrhofer, & Meyer, 2003). From a work and employment perspective, the nonprofit sector can be understood as a network of positions provided by different forms of organizing, in which individuals work and between which they move. These moves are subject to specific "rules of the game," and thus, some social practices and the investment of specific forms of capital are rewarded more positively than others. Further on, we will detect which forms of capital are most important for a career in the nonprofit field. Those forms of capital that are most valued in a given career field can be called career capital.

While the prior sections introduced theoretical concepts explaining career success and career capitals, the following sections deliver an empirically based insight. Reference is also given to differences between nonprofit and business leaders.

Career Capitals in the Nonprofit Field

If career success factors were the same for different career fields, one might assume that sector shifts between the nonprofit and the business sector occur frequently. It has been shown, however, that despite many proclamations transitions across sectors are very rare (Tschirhart, Reed, Freeman, & Anker, 2008). Their quantitative study among 688 alumni revealed that respondents remained in their initially preferred sector for two main reasons: first, because of perceived competence in the sector and, second, because of career values. The perceived competence in the sector is greatly influenced by the education background the individuals show. For instance, master of business administration (MBA) graduates are more prone to pursue a career in the business sector while master of public administration (MPA) graduates tend to opt for a nonprofit career opportunity (Tschirhart et al., 2008). Career values are shaped through ideas that either focus on helping others or earning a high salary. Consequently, graduates who expect their future career to allow for helping others opt primarily for the nonprofit sector; those who place greater importance on earning a high salary chose the business sector. Moreover, career values are more similar between the public and the nonprofit sector (LeRoux & Sneed, 2006), and thus, more transitions might occur between these sectors—partly because of the strong relationships (e.g., government contracting, accountability) between these two sectors.

Sector boundaries seem to be rigid and stable over an individual's career path, which makes movements across sectors unlikely. Thus, different success factors and career capitals might differ in their impact between the business and the nonprofit sector. Applying the career capital concept, a number of plausible differences between nonprofit executives and business managers emerge (Aghamanoukjan, Leitner, Meyer, Steinbereithner, & Eikhof, 2008; Meyer, Aghamanoukjan, Eikhof, Leitner, & Steinbereithner, 2006):

1. For careers in the nonprofit sector, economic capital is far more important than for business executives.
2. Social capital especially drives business managers.
3. Cultural capital is important in the nonprofit and in the business sector.
4. Business managers are keener to translate their capitals into symbols, namely, status symbols and prestigious items.

Economic Capital: Money Makes Careers Go Round

Probably the most counterintuitive result of our research is the overwhelming importance of economic capital in the nonprofit sector compared to the for-profit sector. This is surprising only at first glance. In the interviews, economic capital, or more prosaically money, is mainly mentioned in the form of organizational income. It is this organizational funding rather than personal income that is mostly precarious for careers in NPOs: called to work but not for profit?

Especially for founders of NPOs, though, boundaries between personal and organizational economic capital are blurred. Rather, both forms are strongly intertwined; they would measure organizational success in monetary terms—relating to the acquisition of public funds, for example. Organizational success, in turn, often enables personal career steps. Whenever economic career capital appears in nonprofit narratives, it is mentioned because of its absence, which is perceived as a career barrier. However, the permanent shortage of money and the resulting necessity to cope without economic capital is important in the nonprofit sector.

Another major reason for the importance of economic capital for nonprofit careers is that many NPOs are project based: Funding is project-oriented and short-termed, and thus, employment and careers are tied to projects with often unknown duration. It is also striking that the perceived stability of organizations has a remarkable impact on the perceived importance of economic capital: Executives from large and well-established NPOs often fail to mention both the organizational and the personal income. In contrast, for executives from small and comparably young organizations, funding and personal income is a major topic.

A further factor impacting the perception of economic capital is the low degree of internal specialization in many smaller NPOs. Managers of pioneer NPOs have to be all-rounders; they are in charge both of operative business and of management tasks, such as finance, HR, and leadership. Needless to say that in bigger organizations functional differentiation increases. In small and project-oriented NPOs, every member feels him- or herself responsible for funding issues. This perceived responsibility corresponds also with the specific ideal of democratic participation in many small grassroots NPOs.

In business organizations, too, organizational structure and size influence the perception of economic capital: Managers in the company world (cf. Iellatchitch, 2003) take financial security for granted; they are proud to be in a position to afford something—that is, transformation of economic capital into symbolic capital is stressed. On the other hand, for the self-employed, economic capital is as much a precondition for career success as it is for our nonprofit sample—the boundaries between organizational and personal income are blurred. Yet economic capital is not nearly as important as it is to their NPO counterparts. Money is not so important for nonprofit executives because it's everywhere in the NPO world but because it is not.

Social Capital: Don't Burn Bridges

The notion of social capital refers to all resources derived from membership in specific groups or networks or from social relations in general. The distinction between formal and informal relationships, friendships, and loose contacts within the organization or beyond is important. In the nonprofit field, networks and loose contacts are much more important than friendships. Likewise, the social capital actors draw mostly on results from relationships beyond organizational boundaries—which differ significantly from business executives: Most of them rely much more strongly on internal social capital. This difference can be pinpointed using a distinction of different forms of social capital employed by Putnam (1995): Nonprofit careers rely more on what he calls *bridging social capital* than on bonding social capital. Whereas in many business companies it is contacts within the corporation that are perceived as essential for careers, nonprofit executives use focus on interorganizational networks (though this might also be due to different size and structure of business organizations and NPOs). Blurring of the boundaries between private and professional relationships is common and positively valued in the nonprofit field. This is very different from the business field where actors exert considerable effort in separating their work from their private life and preventing their private spheres from occupational spillovers. Nonprofit executives do not distinguish between working hours and leisure time so sharply, and their professional identity dominates their private spheres, too.

Cultural Capital: Learning, and Even More Learning

Cultural and educational capital might appear in different forms: Most generally, it means all knowledge and capabilities. Some of them are (a) specifically incorporated (embodied). Some part of cultural capital is (b) objectivized cultural capital, that is, material objects that represent accumulated knowledge or competencies (e.g., libraries, information technologies [IT]). Finally, some aspect of educational capital is highly visible in the form of (c) institutionalized cultural capital, the legitimized form of incorporated cultural capital as represented in degrees, diplomas, and titles. For most nonprofit executives, cultural capital seems to be the most important form of capital for a career in the nonprofit field.

Further education and training play an important role in context with management and leadership competencies. A permanent search for complementary competencies is a striking feature of many nonprofit executives. For instance, social workers thrive for management competencies, nurses for educations in coaching, administrative staff looks for education in the psychosocial field, and so forth. Trainings in management are attended when career steps require them. A typical career path in the nonprofit sector is often accompanied by different trainings and educational courses: mediation, coaching, leadership, and so forth.

Executives of NPOs are mainly intrinsically motivated to do this continuing education; most of them cover some of the costs from their personal funds. Like the notion of voluntary and conscious self-exploitation for the sake of the NPO, the idea of thriving for permanent personal development and qualification seems to be integral to the NPO executives' self-perception. Unlike nonprofit representatives, business executives are mainly extrinsically motivated when opting for further education.

Despite the fact that the nonprofit sector comprises a large number of professions with a highly specialized training (e.g., nurses, therapists, doctors, and administration specialists), this career field requires more universal or key competencies for a career as an executive, partly because of the rather diffuse requirements and volatile career trajectories. To be as broadly qualified as possible and to be able to react quickly to changes in the organization (i.e., when a project ends), employees provide themselves with many different competencies.

Career paths for managers in the nonprofit field neither provide well-defined entry points nor specify degrees, as is the case in the traditional professional field, for example, for medical doctors, legal professions, and even for business managers. Vocational identity of nonprofit managers arises during their careers and is not created by a specific education.

But it is not just about learning and training that sheds a light on the differences between business and nonprofit leaders. Emotional Intelligence (EI) is an increasingly recognized factor in leadership studies (Morehouse, 2007). While intelligence traditionally has been measured only in its cognitive dimension, the emotional dimension of intelligence found its path into empirical studies within the last decade (Mayer & Salovey, 1993). EI is defined as

> the ability to perceive accurately, appraise, and express emo tion; the ability to access and or generate feelings when they facilitate thought; the ability to understand emotion and emotional knowledge; and the ability to reflectively regulate emotions in ways that promote emotional and intellectual growth. (Mayer & Salovey, 1997, p. 23)

Put differently, EI comprises all personal qualities that enable an individual to interact effectively with other people in daily life. EI is recognized to be a crucial success factor and an indicator for identifying top performers in a work environment (Morehouse, 2007).

An investigation among business and nonprofit leaders found that nonprofit managers showed significantly higher scores on the EI scale than did their business counterparts (Morehouse, 2007, p. 303). Three reasons may explain these differences. First, a strong relationship between EI and career choice exists, which reasons that emotionally intelligent employees choose their occupations such as social work, teaching, and so forth according to their emotional disposition. Second, emotional intelligence implies a high level of stress resistance. Stress is, for instance, a typical characteristic of most social work and health care duties. Third, EI also comprises high degrees of adaptability, which is finding ways to cope with everyday difficulties. Again, nonprofit workplaces frequently require adaptability to adverse environmental situations.

Symbolic Capital: My Reputation Is My Organization

Symbolic capital is best understood as a different state of aggregation of economic, social, and cultural capital: According to the rules of a career field, specific combinations of these basic capitals are transformed into symbolic capital thus representing reputation and the image of individuals (e.g., money transformed into expensive office furniture is regarded as a sign for career success). For executives from the nonprofit field, conventional symbolic capital is less important than for those from the business field. Symbols of status, which are quite common in the business field (ranks and position titles, large offices and their furniture, business-class flights, cars, etc.), hardly play a role. Rather, it is the reputation of their organizations that makes nonprofit managers proud. Business managers more frequently refer not only to ranks and titles and office and furniture but also to social relations with key customers as leading to high reputations and thus constituting their symbolic capital. On the whole, symbolic capital seems to be less important for careers in the nonprofit sector than in the for-profit sector.

Indicators for Career Success in the Business and the Nonprofit Sector

The nonprofit career field differs from the business field not only in terms of career capital but also in terms of indicators applied by executives to consider themselves successful in what they do. From the range of indicators as introduced in section 2: "The Importance of Career Capitals" above, two are particularly interesting: (1) *finan cial indicators*, for example, personal income as well as the financial performance of the organization, and the (2) *internal compass,* which embraces manifold references not only to personal attitudes, values, and standards but also to intrinsic motivations, such as vocation or calling.

These indicators somehow represent two major types of career success criteria conceptualized theoretically by Peter Heslin (2005). Second, the very few pieces of empirical research on careers in the nonprofit sector show that the internal compass, a calling orientation, a "for love, not money" choice, and a total commitment is most important within the career aspirations of CEOs in the third sector (Harrow & Mole, 2005). These categories polarize and sharply distinguish business careers from management careers in civil society.

Financial Indicators

Business Managers—Trapped by Comparisons

For managers in the business world, both for employed and for self-employed—personal income is a crucial indicator for career success—insofar as the prejudice is true, though there are various facets to be found. It is not about the absolute level of personal income. It is, on the one hand, the steady growth of income that matters and on the other hand, a specific lifestyle people get used to, enjoy, and finally perceive as a symbol of their success. Furthermore, this need for a steady growth of income introduces a monetary aspect as core criterion for career transitions: Decisions for change despite financial losses are rare. Sometimes, changes to self-employment, that is, transitions between different career fields, are motivated financially: Business graduates are ready to take even higher risks to significantly raise their income in the long run. It is the best paid job that is seen as the fast lane for social advancement.

What is most striking with financial success indicators in the business world is the omnipresence of comparison processes, that is, to construct criteria in the objective/other-relevant domain (Heslin 2003, 2005). The other type of comparison is the relation between work effort and payment—in line with J. Stacey Adams's (1963) equity theory and more recently, among others, with Janssen (2001). *Money* is the sharp side of all these comparisons: Work-life balance, personal development, social status, having fun, and so forth always remain opaque. Money is often regarded as a means for social status: to acquire a status symbol and independence. Thus, these financial indicators for career success are a picture puzzle with many different aspects. And—you always need a little more than you have (Schor, Jhally, & Alper, 2003). Furthermore, personal income is also seen as a metric for competence.

Nonprofit Managers: It's the Organization That Counts

In the nonprofit sector, financial indicators are also important for the perception of success, but it is mostly the organization's financial performance that counts. Getting money for the organization becomes a core indicator of personal success, too. As in the business world, personal income is seen in a trade-off relation with work-life balance, but unlike in the business world, managers of nonprofits emphasize the trade-off with their internal compass, their calling, and the impact of their work. Whereas business managers compare themselves in terms of income, work effort, and social status—but not with people from the nonprofit sector—the business world and its managers' income is a constant point of reference for nonprofit executives. Nevertheless, financial issues are not very relevant for career transitions; nonprofit managers decide to change jobs and organizations even despite a lack of money and a decrease in salary.

To get comparatively little pay is regarded as a metric for idealism—which in the long run also contributes to social status, especially if it results in perceiving credits thus gaining influence in political decision making. Unlike in the business world, it is not a comfortable personal lifestyle that serves as an argument for personal income but rather basic needs. Maybe increasing personal income is also a kind of taboo in nonprofits, which rely on donations and voluntary work. Money is seen rather as a means for organization goals than as an end. Nevertheless, nonprofit managers appreciate a stable and basic personal income for employees as a multiplier for organization effectiveness.

Also in the course of time, personal income might become an indicator for recognition—this is different in the business world where this is true starting from earlier career stages. Managers who have moved from the business to the nonprofit sector suffer most from the restrictions in personal income. Financial indicators are not less important for nonprofit executives, but they have a completely different status: They are somehow taboo, unless it is the financial success of the organization itself, or they are argued with reference to basic needs.

Internal Compass

Business Managers: Intrinsic Motivation and Quality Standards

The internal compass as a criterion for career success is less important in the business world; however, the internal compass of business managers mainly consists of individual values. Managers refer to self-commitment and the aspiration to "prove myself." Besides quality standards, autonomy and independence—and beyond the emotional evaluation of specific jobs—change and risk taking are highly valued criteria for success. And there are a few hedonistic and ethical elements within the internal compass: to have fun on the one hand and to be able to look oneself in the mirror and to stay authentic on the other hand. Altogether, these specifications cast a poor light on modern managerialism, as they are completely decoupled not only from specific products and services but also from stakeholders (customers, coworkers) and even (mostly) from specific technical competencies.

Nonprofit Managers: More Ethics, Altruism, and Professional Identity

The picture emerging for the internal compasses of nonprofit managers is much more colorful. First of all, it is the identification with the job itself that seems to be a major success indicator. Not only altruism but also principles, morals, ethics, and maxims play a crucial role. Compared with business executives, vocation and calling play a more prominent role for nonprofit executives. It is important to "put your heart in the job." Hereby, altruism is central and often mentioned, for example, to use one's competencies for the benefit of others. Nonprofit managers refer also to the fit between their self-concepts (e.g., in the form of professional identities, such as social workers, therapists) and their jobs as a criterion for career success. Much more, as mentioned by business managers, it is also thrills and challenges that matter in various ways, but especially to be different from others.

Besides these very specific elements, there are also aspects that resemble those mentioned with business managers: Nonprofit executives want to reach a self-defined degree of professionalization. They thrive on and strive for autonomy, they search for or already enjoy authenticity, and they permanently switch their enthusiasm from one field to the other—that is, they are motivated by permanent change. It is also important to realize their own ideas and to develop their own personalities. This compensates the lack of income.

Make Your Career Grow in the Nonprofit Sector

Civil society as a sphere beyond market and public bureaucracy contributes significantly to the governance of modern societies all over the world. Nonprofit organizations are not only core actors within civil society, but also they yield more trust than business corporations and public agencies. Thus, they have established an attractive career field for many, especially for younger cohorts. Most obviously, for many young people, NPOs offer brighter conditions for a person-organization-fit (Bretz & Judge, 1994) than other organizations, and they provide alternative modes of occupational and organizational socialization. Thus, despite shady prospects for individual wealth and power, the nonprofit sector has established itself as an interesting career field for graduates.

Our research has revealed some empirical evidence that executive careers in the nonprofit sector conform to specific rules: Money is extremely important for nonprofit careers—definitely not as a metrics of personal career success but rather as a prerequisite for attractive and stable jobs. And in higher ranks, it is the NPO's income that counts. Social networks, especially those bridging organizational boundaries are very important, too. Much more than in other fields, further education in terms of professional development beyond one's basic competencies seems to be crucial. To make a career as a nonprofit executive successfully grow, an internal compass based on a strong intrinsic motivation to change things is a major driving force. However, nonprofit executives are not do-gooders but realistically judge the opportunities and limits of their influence.

These career-field rules match harmoniously with theories of intrinsic motivation and value-based leadership. In terms of motivation, careers in NPOs are much more strongly driven by intrinsic than by extrinsic motivation (Lawler & Hall, 1970; Leete, 2000). Thus, remuneration systems in NPOs have to prevent cautiously crowding out effects (e.g., Deci, Koestner, & Ryan, 1999): Too much extrinsic motivation might harm the inner compass. In terms of leadership, research points toward the specific relevance of transformational leadership behavior in NPOs (Lowe, Kroek, & Sivasubramiam, 1996): Leaders have to act in a charismatic, considerate, stimulating, and value-based way.

So what is it finally all about? Beyond research, there is a whole bulk of articles targeted to practitioners giving advice on how to start a career in the nonprofit sector (e.g., Brandel, 2001). Anyone considering a career with a nonprofit organization needs to realize that the organization's mission and values are of great importance. Consequently, the nonprofit's mission, goals, and values should match one's own values and interests. According to this fit, successful nonprofit executives are prepared to develop a strong professional and organizational commitment, which often results in blurring boundaries between their professional and private lives.

This alone certainly does not guarantee job satisfaction if the actual position one finds oneself in does not meet expectations regarding growth potential, daily activities, and so forth. To be quite sure, one has to check this fit between job, organization, and individual values and motives. Volunteering provides this opportunity to get to know the management, decision making, and organizational culture of a particular NPO very well even before deciding to pursue a full-time job there. Volunteer positions providing a broad insight into the organization are especially rewarding since the volunteer gets acquainted with different organizational units and managers.

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PART VIII

Ethics and Social Responsibility in the Nonprofit World

92

FUNDRAISING ETHICS

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According to the Ethics Resource Center's "2007 National Nonprofit Ethics Survey" (2007), more than half of the 450 nonprofit executives polled reported having witnessed unethical fundraising behavior over the course of their careers. More than 90% of these leaders cited the need for education about ethical fundraising. While ethical challenges arise at all levels in all types of organizations, the impact of such challenges can be especially troublesome for nonprofits. A 2006 Harris poll reported that only 1 in 10 Americans strongly believe that charities are honest and ethical in their use of donated funds. Approximately one third of U.S. adults have less than positive feelings toward America's charitable organizations, and the same number think that the nonprofit sector in America has "pretty seriously gotten off in the wrong direction" (Harris Interactive, 2006, "Non-profits Developing a Bad Reputation"). For organizations that depend on public support and private funding for their livelihood, these sentiments are problematic.

This chapter begins with a review of the concepts that inform and shape the context in which fundraising takes place. Organizational dynamics unfold in unique ways in the nonprofit world and set the stage for particular kinds of ethical issues. In this chapter, we examine those fundraising areas wherein ethical lapses are most likely to occur. Awareness of the potential for ethical issues is an important first step in avoiding ethical lapses. In some situations, these issues are easily resolved with clear-cut right or wrong decisions. Other situations are more difficult to resolve, such as when the issue involves deciding between two alternatives and neither is decidedly right or wrong. This chapter concludes with a review of ethical models for decision making, which can be useful in such situations.

Ethical Context for Fundraising

Nonprofits face a unique set of ethical challenges. Why is it important for nonprofit organizations and their leaders to pay attention to ethical issues, generally? Why is ethics in fundraising important, specifically? While the answers to these questions may seem obvious, a review of basic concepts provides a fuller understanding of the ethical context for fundraising.

Organizational Context

As professionals who do their work within an organizational context, fundraisers must be aware of both the rights and responsibilities that ground their work. Nonprofit organizations benefit in significant ways from our nation's tax structure. In exchange, nonprofits are expected to serve the public good as made explicit by section 501(c)(3) of the Internal Revenue Code. The "nondistribution" clause included here has particular relevance for fundraisers as it makes clear the expectation that nonprofits operate for the public good and that nonprofit employees and board members will avoid self-dealing. Ethical lapses in the nonprofit context are viewed as especially troublesome precisely because of the special trust that has been vested in nonprofits as agents of the public good.

As fundraisers working within this context, ethical practice is extremely important. "The essential test of ethical behavior is 'obedience to the unenforceable,' originally described by England's Lord Justice of Appeal John Fletcher Moulton 65 years ago as obedience to self-imposed law" (Independent Sector, 2002a, p. 8). As fundraisers, this means complying with legal requirements, such as the "nondistribution" clause, as well as upholding ethical practices, which reflect well on the organization. In 2002, The Independent Sector drafted its "Statement of Values and Code of Ethics for Nonprofit and Philanthropic Organizations," which outlines the ethics and values that nonprofits are expected to observe:

1. Commitment beyond self
2. Obedience to the laws
3. Commitment beyond the law
4. Commitment to the public good
5. Respect for the worth and dignity of individuals
6. Tolerance, diversity, and social justice
7. Accountability to the public
8. Openness and honesty
9. Responsible stewardship of resources

Importance of Trust

Not only are fundraisers concerned with maintaining the public trust, but they are also concerned with trust building on an individual level. Nearly all of the fundraising literature in recent years promotes the importance of relationship building as an enduring principle. Indeed, fundraisers are expected to build and maintain positive relationships with a variety of constituencies including donors, volunteers, colleagues, board members, and community members. Trust is a critical ingredient for such relationships; donors must be able to trust that fundraisers will be honest and will act with their best interests at heart. Albert Anderson (1996, p. 75) provides helpful guidelines for building trustworthy relationships:

> *Truth telling:* Communicate, convey, and record information truthfully, accurately, and completely; avoid misleading or deceiving.
>
> *Promise keeping:* Make and keep promises, agreements, and contracts that are consistent with organizational purposes.
>
> *Accountability:* Be accountable for the stewardship of donated and organizational resources, and be open to scrutiny by appropriate constituents.
>
> *Fairness:* Seek fairness and objectivity in arrangements that require the sharing of benefits and burdens and privileges and responsibilities.
>
> *Fidelity of purpose:* In all relationships, be faithful to bona fide professional and organizational purposes; avoid or disclose apparently conflicting interests, inconsistency, and hypocrisy.

Trust is also an important theme in "The Donor Bill of Rights," created jointly by the Association of Fundraising Professionals (AFP), the Association for Healthcare Philanthropy (AHP), the Council for Advancement and Support of Education (CASE), and the Giving Institute: Leading Consultants to Non-Profits (see Box 92.1). Widely endorsed by numerous organizations, this statement serves as a reminder for all fundraisers about the broader purposes of philanthropy.

Box 92.1 The Donor Bill of Rights

Philanthropy is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To ensure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the nonprofit organizations and causes they are asked to support, we declare that all donors have these rights:

I. To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.

II. To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.

III. To have access to the organization's most recent financial statements.

IV. To be assured their gifts will be used for the purposes for which they were given.

V. To receive appropriate acknowledgment and recognition.

VI. To be assured that information about their donation is handled with respect and with confidentiality to the extent provided by law.

VII. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.

VIII. To be informed whether those seeking donations are volunteers, employees of the organization, or hired solicitors.

IX. To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.

X. To feel free to ask questions when making a donation and to receive prompt, truthful, and forthright answers.

Fundraising as Servant of Philanthropy

> *Philanthropy is the context, development is the process, fundraising is the result.*
>
> Albert Anderson, *Ethics for Fundraisers*, 1996

Clearly, fundraising does not happen in a vacuum. Instead, the processes of gift making and gift receiving are rooted in a deeper sense of meaning, both for the fundraiser and the donor. A donor's reasons for giving are typically complex and multifaceted. Ideally, the gift is freely given without expectation of anything in return other than the government-authorized tax deduction. In reality, and as Joseph Mixer (1993) points out, donors receive any number of important values in exchange for their gifts, ranging from a sense of belonging and social recognition to a feeling of having made a difference. This voluntary exchange—in which the organization receives value from the donor's gift and the donor receives personal value through the process of giving—broadens the meaning of fundraising and gives it a purpose greater than itself.

As a values-based exchange, fundraising draws its meaning from the cause that it seeks to advance; hence, ethics must guide the fundraising process. Accordingly, Hank Rosso (2003) describes ethical fundraising as "the prod, the enabler, and the activator" of the gift-making process as well as "the conscience to the process" (p. 19). As organizations raise funds from the perspective of what best serves the donor's needs and values, fundraising is enacted with the spirit of philanthropy at its core. This contrasts sharply with the notion that some have of fundraising as nothing more than a self-seeking, quid pro quo exchange.

Professionalism and Personal Integrity

Commonly accepted characteristics of a profession include such things as a specialized body of knowledge, a set of skills, a group mission or identity, and standards of behavior and practice. As evaluated against this framework, fundraisers are clearly part of a profession, albeit an emergent one (Levy, 2004). A quick scan of the numerous educational fundraising programs that now exist yields an apparently common understanding about important knowledge and skills for professionals. For example, most programs include content about the history and philosophy of philanthropy, the legal and financial context, and specific skill-based courses, such as annual giving, grantwriting, and donor behavior. The AFP was established in 1960 to promote a common mission and identity for fundraisers. According to its website, AFP now "represents more than 30,000 members in 200 chapters throughout the world, working to advance philanthropy through advocacy, research, education and certification programs." Its mission focuses on the "development and growth of fundraising professionals and promotion of high ethical standards in the fundraising profession" (www.afpnet.org/About).

In 1964, AFP became the first international organization to codify its understanding about the role of ethics in fundraising. According to its "AFP Code of Ethical Principles and Standards" (2004), fundraisers are obligated to place the interests of others above their own and to practice with the highest level of personal integrity and trust (see Box 92.2).

Box 92.2 Association of Fundraising Professionals (AFP): Code of Ethical Principles and Standards (adopted 1964; amended September 2004)

The Association of Fundraising Professionals (AFP) exists to foster the development and growth of fundraising professionals and the profession, to promote high ethical behavior in the fundraising profession, and to preserve and enhance philanthropy and volunteerism.

Members of AFP are motivated by an inner drive to improve the quality of life through the causes they serve. They serve the ideal of philanthropy, are committed to the preservation and enhancement of volunteerism, and hold stewardship of these concepts as the overriding direction of their professional life.

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They recognize their responsibility to ensure that needed resources are vigorously and ethically sought and that the intent of the donor is honestly fulfilled.

To these ends, AFP members, both individual and business, embrace certain values that they strive to uphold in performing their responsibilities for generating philanthropic support. AFP business members strive to promote and protect the work and mission of their client organizations.

AFP members both individual and business aspire to:

- practice their profession with integrity, honesty, truthfulness, and adherence to the absolute obligation to safeguard the public trust
- act according to the highest goals and visions of their organizations, professions, clients, and consciences
- put philanthropic mission above personal gain
- inspire others through their own sense of dedication and high purpose
- improve their professional knowledge and skills, so that their performance will better serve others
- demonstrate concern for the interests and well-being of individuals affected by their actions
- value the privacy, freedom of choice, and interests of all those affected by their actions
- foster cultural diversity and pluralistic values and treat all people with dignity and respect
- affirm, through personal giving, a commitment to philanthropy and its role in society
- adhere to the spirit as well as the letter of all applicable laws and regulations
- advocate within their organizations adherence to all applicable laws and regulations
- avoid even the appearance of any criminal offense or professional misconduct
- bring credit to the fundraising profession by their public demeanor
- encourage colleagues to embrace and practice these ethical principles and standards
- be aware of the codes of ethics promulgated by other professional organizations that serve philanthropy

Ethical Standards

Furthermore, while striving to act according to the above values, AFP members, both individual and business, agree to abide (and to ensure, to the best of their ability, that all members of their staff abide) by the AFP standards. Violation of the standards may subject the member to disciplinary sanctions, including expulsion, as provided in the AFP Ethics Enforcement Procedures.

Member Obligations

1. Members shall not engage in activities that harm the members' organizations, clients, or profession.
2. Members shall not engage in activities that conflict with their fiduciary, ethical and legal obligations to their organizations, clients or profession.
3. Members shall effectively disclose all potential and actual conflicts of interest; such disclosure does not preclude or imply ethical impropriety.
4. Members shall not exploit any relationship with a donor, prospect, volunteer, client or employee for the benefit of the members or the members' organizations.
5. Members shall comply with all applicable local, state, provincial, and federal civil and criminal laws.
6. Members recognize their individual boundaries of competence and are forthcoming and truthful about their professional experience and qualifications and will represent their achievements accurately and without exaggeration.
7. Members shall present and supply products and/or services honestly and without misrepresentation and will clearly identify the details of those products, such as availability of the products and/or services and other factors that may affect the suitability of the products and/or services for donors, clients, or nonprofit organizations.

8. Members shall establish the nature and purpose of any contractual relationship at the outset and will be responsive and available to organizations and their employing organizations before, during, and after any sale of materials and/or services. Members will comply with all fair and reasonable obligations created by the contract.
9. Members shall refrain from knowingly infringing the intellectual property rights of other parties at all times. Members shall address and rectify any inadvertent infringement that may occur.
10. Members shall protect the confidentiality of all privileged information relating to the provider/client relationships.
11. Members shall refrain from any activity designed to disparage competitors untruthfully.

Solicitation and Use of Philanthropic Funds

12. Members shall take care to ensure that all solicitation and communication materials are accurate and correctly reflect their organizations' mission and use of solicited funds.
13. Members shall take care to ensure that donors receive informed, accurate, and ethical advice about the value and tax implications of contributions.
14. Members shall take care to ensure that contributions are used in accordance with donors' intentions.
15. Members shall take care to ensure proper stewardship of all revenue sources, including timely reports on the use and management of such funds.
16. Members shall obtain explicit consent by donors before altering the conditions of financial transactions.

Presentation of Information

17. Members shall not disclose privileged or confidential information to unauthorized parties.
18. Members shall adhere to the principle that all donor and prospect information created by, or on behalf of, an organization or a client is the property of that organization or client and shall not be transferred or utilized except on behalf of that organization or client.
19. Members shall give donors and clients the opportunity to have their names removed from lists that are sold to, rented to, or exchanged with other organizations.
20. Members shall, when stating fundraising results, use accurate and consistent accounting methods that conform to the appropriate guidelines adopted by the American Institute of Certified Public Accountants (AICPA)* for the type of organization involved. (* In countries outside of the United States, comparable authority should be utilized.)

Compensation and Contracts

21. Members shall not accept compensation or enter into a contract that is based on a percentage of contributions; nor shall members accept finder's fees or contingent fees. Business members must refrain from receiving compensation from third parties derived from products or services for a client without disclosing that third-party compensation to the client (for example, volume rebates from vendors to business members).
22. Members may accept performance-based compensation, such as bonuses, provided such bonuses are in accord with prevailing practices within the members' own organizations and are not based on a percentage of contributions.
23. Members shall neither offer nor accept payments or special considerations for the purpose of influencing the selection of products or services.

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24. Members shall not pay finder's fees, commissions, or percentage compensation based on contributions, and shall take care to discourage their organizations from making such payments.
25. Any member receiving funds on behalf of a donor or client must meet the legal requirements for the disbursement of those funds. Any interest or income earned on the funds should be fully disclosed.

Ethical Issues and Dilemmas

Ethical issues can arise in almost any aspect of a fundraiser's daily work. There are six areas in particular where one is most likely to encounter ethical dilemmas: fundraiser relationships, privacy and confidentiality, tainted money, compensation, conflicts of interest, and transparency and disclosure.

Fundraiser–Donor Relationships

As fundraisers develop close relationships with their donors, it is easy to forget who ultimately owns the relationship. A first critical issue for fundraisers arises then in relation to the question of donor relationship ownership. Fundraisers should never benefit personally from their relationships with donors; any benefit from this relationship should accrue first and foremost to the organization. Donors frequently develop strong feelings of affection for the fundraisers with whom they work, sometimes to the point of giving gifts to the fundraisers as a means of expressing their feelings. If fundraisers are serving their organization's interests above all others, it is difficult to imagine a situation wherein it would be appropriate to accept a personal gift from a donor, for any reason. A second source of tension arises when fundraisers move from one organization to another and are tempted to take their donors with them. Given that the donor relationship exists only because of the organization and presumably the donor's commitment to the mission of that particular organization, the relationship must remain with the organization. For a fundraiser to do otherwise is a violation of the trust that the organization has placed in him or her.

Privacy and Confidentiality

Several professional codes explicitly address the importance of privacy and confidentiality including the AFP's "AFP Code of Ethical Principles and Standards" referenced above. The Association of Professional Researchers for Advancement (APRA) begins its code of ethics with the statement, "advancement researchers must balance an individual's right to privacy with the needs of their institutions to collect, analyze, record, maintain, use, and disseminate information." The code goes on to make explicit the profession's commitment to ensuring confidentiality in the handling of all forms of information about constituents (donors and nondonors), as well as confidential information of the institution, to "foster a trusting relationship between the constituent and the institution" (2009, "Statement of Ethics").

Even still, ethical issues arise in this area due largely to the fact that our notion of privacy is fluid and still evolving. Since 9/11 and the introduction of the USA Patriot Act, our country's legal definition of privacy has become increasingly murky. As the APRA's ethics code makes clear, most issues that fundraisers encounter in this area arise from the questions surrounding the individual constituent's right to privacy versus the organization's need to know. Indeed, most of these issues are not as much about the legal right to privacy as they are about the ethics of privacy. The explosion of the Internet and ever-increasing access to web-based search engines that allow one to quickly obtain information about individuals and organizations further complicates an already thorny issue.

When a donor makes a gift, such gifts must be recorded, reported, and acknowledged, meaning information about the gift needs to be made available to others within the organization as well as to external sources through the Internal Revenue Service (IRS) 990 form. Likewise, good fundraising practice dictates keeping careful records of all contacts with constituents. What specific information should be collected and recorded? How widely should this information be shared? Who within the organization really needs to know, and what specific information do they need to know? How does the organization protect the security of its information and donors and other constituents? How does the organization handle anonymous gifts? Should the organization rent or sell its donor lists without first asking permission of the individuals on these lists? These are just a few of the many questions that need to be carefully thought through to avoid potential ethical lapses. The APRA, among other professional associations, recommends establishing clear, detailed policies, procedures, and controls regarding the use and dissemination of constituent information. The ePhilanthropy Foundation has established a code of ethics governing the use of the Internet for philanthropic purposes (www.fundraising123.org/article/network-good-acquire-ephilanthropy-foundation).

Tainted Money Gifts

Tainted money is commonly understood to connote donations that raise questions of propriety for an organization due either to the source of the funds or the circumstances surrounding the donation. Tainted gifts can take different forms. Perhaps the least complicated form of tainted gift is that which comes from illegally obtained activity or sources such as theft, corporate crime, or the sale of illicit drugs. As the Independent Sector's "Statement of Values and Code of Ethics for Nonprofit and Philanthropic Organizations" (2004) makes clear, nonprofits must first and foremost be obedient to the law; hence, it is never appropriate for a fundraiser to knowingly accept a gift that is funded through illegal activity of any kind.

The second type of tainted gift is that which comes through seemingly legal means at the time of the donation but is later questioned due to circumstances surrounding the donor. For example, A. Alfred Taubman, the former chairman of Sotheby's currently serving a prison sentence for price-fixing, gave millions to Harvard University, Brown University, and the University of Michigan at Ann Arbor prior to his arrest and conviction (Maynard, 2001). When tainted gifts lead to the naming of organizational buildings or other visible features as happened with Taubman, they become even more problematic. While a handful of organizations have opted to return such gifts or to remove the name of the tainted gift donor, most nonprofits are reluctant to go this route, choosing instead to avoid controversy.

A third type of tainted gift involves legitimate gifts made by donors who expect to get something in return for their gift. For example, if a board member makes a gift to a nonprofit with the expectation of being advantaged in a business bidding process with the nonprofit, this potentially constitutes a violation of the IRS intermediate sanctions legislation. This law explicitly prohibits individuals from benefiting in their transactions with nonprofits with which they are associated (Independent Sector, 2002b). A less clear-cut example is when donors try to control their gift. If a naming donor for a new science center requests to be involved in the hiring of the center's director, this violates the notion of giving as a voluntary exchange.

While illegal gifts are clearly the most obvious type of tainted gift, these other forms are more common and less straightforward to resolve. In many cases, tainted gifts represent a value conflict between the donor and the nonprofit. When the Florida chapter of the Salvation Army turned down a six-figure gift from a lottery winner, it affirmed its belief that gambling leads to homelessness and poverty and is at odds with its core organizational values (Tubbs, 2003). Nearly all tainted gifts involve trade-offs for the organization, the donor, and/or the fundraiser. Eugene Tempel (2008, pp. 67–68) offers a series of questions that fundraisers should ask in resolving tainted money dilemmas:

- Will taking money from a donor provide short term benefits to our clients but risk long term damage to the reputation of our organization and decrease services to our clients in the long run?
- If we turn down the money, what will be the short term impact? What services will we not be able to offer?
- What are the various ways in which accepting a potentially tainted gift can affect the organization?
- Would the gift offend key stakeholders or damage long term relationships with other donors?

Fundraiser Compensation

Ethical issues in this area most often arise over questions about the appropriateness of paying fundraisers on a commission basis or paying external professional solicitors to obtain funds for the nonprofit. Regarding the first, most major fundraising associations view commission-based pay for fundraisers as unethical. The "AFP Code of Ethical Principles and Standards" (2004) has five standards devoted exclusively to the topic (see standards 21–25 above). Taken together, the AFP standards clearly prohibit percentage, or commission-based pay, for fundraisers. According to AFP's former president, Paula V. Maehara (2008), this restriction is grounded in the belief that ethical fundraising must be supported in an environment wherein serving the public good is paramount and free of improper motives, unmerited rewards, or personal gains (p. 94). At the same time, AFP's standards do not prohibit performance-based pay and bonuses for excellent performance.

Regarding the appropriateness of hiring an external party to raise funds on behalf of the nonprofit, the answer is less clear. On one hand, many nonprofits, especially smaller ones with small staff, routinely hire external professional solicitors to conduct their fundraising campaigns, viewing the practice as both efficient and productive. And in some cases, this may be the only fundraising means available to the nonprofit. As long as the practice is free from fraud, paid solicitation is considered by most to be a legal and acceptable fundraising strategy. Many states hold the view shown by the Indiana Attorney General's Office on its website:

> Many charitable organizations use professional solicitors to raise money on their behalf. The fact that a charity uses a paid solicitor does not mean that you should not contribute to the charity. However, it is something for you to take into account when you are considering making a donation. (Indiana Attorney General Consumer Division, 2009)

Fundraisers should be aware of the laws that govern the solicitation of funds by paid, professional solicitors. In addition, fundraisers should be mindful of the issues that might arise when a significant portion of funds raised are returned to the solicitor instead of directly benefiting the charity. As with all fundraising practices, nonprofits should assess their use of paid solicitors in light of its impact on public trust. If donors feel that their gifts are not being used wisely or for the purpose given, then their trust will diminish and the practice of using professional solicitors might prove costly.

Conflicts of Interest

Conflicts of interest can arise in various situations and can exist even in the absence of unethical or improper behavior. A conflict of interest typically arises in situations wherein individuals or organizations have competing personal or professional interests. In the nonprofit context, conflicts of interest can emerge when board members do business with the organizations on whose boards they sit. The intermediate sanctions law referenced above makes clear the obligation that nonprofits and their board members have to ensure that such dealings be conducted with the highest level of transparency possible and be subject to the same rules (e.g., bidding processes) as all other transactions.

Conflicts of interest can also arise when a fundraiser has the opportunity to benefit from a donor's philanthropic decisions or personal situation. For instance, it is not uncommon for donors to ask a fundraiser with whom they have developed a close relationship to act as executor for their estate. Even while this may be perfectly legal, others may perceive a conflict of interest based on personal self-interest on the part of the fundraiser. Likewise, a fundraiser who is pressed to meet revenue goals might be tempted to take advantage of an elderly donor who is lonely. Avoiding even the appearance of impropriety is an important standard for fundraisers who aspire to practice in accordance with the ethical principles discussed earlier.

Transparency and Full Disclosure

As the "Independent Sector Statement of Values and Code of Ethics for Nonprofit and Philanthropic Organizations" (2004) makes clear, organizations that seek and use public or private funds and claim to serve the public good have a particular obligation to be open and honest in their reporting, fundraising, and relationships with all constituencies. This means that nonprofits and their fundraisers should give constituents adequate and truthful information about their organizations to ensure well-informed and appropriate giving decisions. Fundraisers should avoid "sugarcoating" or "stretching" the facts about their organizations just to get the gift or to curry favor with a constituent. This also means that organizations should use funds consistent with donor intent and comply with specific conditions placed on donations. Honesty with donors is essential for building and maintaining trustworthy relationships.

A clearly published, board-approved gift acceptance policy can help fundraisers maintain discipline in the gift acceptance process, avoid accepting inappropriate gifts, and ensure full disclosure about the organization's handling of gifts. Such policies typically define the types of assets that are acceptable gifts, the forms of gifts that are acceptable, and the organization's role in the giving process.

Ethical Frameworks for Decision Making

Some situations are easily resolved by referring to clear-cut legal requirements or universally held ethical standards. For example, it is clearly wrong to tell a donor that her gift is tax deductible when, in fact, the organization does not have tax-exempt status. The "rightness" of other situations is not as clear such as whether or not to accept a donation from a longtime supporter whose reputation has been tarnished. Such dilemmas involve choosing between two alternatives—neither of which is decidedly right or wrong. Robert L. Payton (1988) observes that "there are no ethical answers; there are only ethical questions" (p. 123). This chapter concludes with a review of ethical models for decision making, which can provide helpful guidance for those situations wherein answers don't come easily.

Independent Sector Levels of Ethical Behavior

The Independent Sector recommends examining all ethical issues against a three-tiered framework. This can be a helpful starting point in clarifying the potential significance of the behavior as well as identifying appropriate means of resolution. According to the statement outlined in *Ethics and the Nation's Voluntary and Philanthropic Community: Obedience to the Unenforceable* (2002a), the first level of ethical behavior is concerned with the law. From a fundraising practice perspective, some behaviors are clearly illegal and decisions about their rightness are very easy to make. The second level includes those behaviors where one knows the right thing to do but is nevertheless tempted to do otherwise. Behaviors at this level are clearly unethical and as with the first level, the decision about their rightness should be fairly easy to make. The third level of ethical behavior involves conflicting options wherein there is no clear-cut right or wrong choice; instead, one may be left with options that both seem right. This level includes what we know typically as ethical dilemmas. Decision making at this level is difficult at best as the situation usually involves competing "goods" or conflicting values.

Fischer's Framework of Ethical Decision Making

In *Ethical Decision Making in Fund Raising* (2000), Fischer proposes that ethical fundraisers must consider three basic value commitments: organizational mission, relationships, and personal integrity. As nonprofits, the mission provides the raison d'être and is an essential element in ethical decision making. Alternative outcomes for a particular situation should be reviewed in light of their impact on the organization's mission. For example, to what extent will a particular option help advance the mission? Outcomes that hinder or diminish the mission should be rejected. As discussed earlier, fundraisers work within complicated relationship webs. Fischer's second value commitment is concerned with the character and quality of these relationships. Specifically, decision alternatives should be considered according to their potential impact—positive or negative—on this network of relationships. The end goal is to maintain healthy relationships whenever possible. The third value commitment entails one's own personal sense of integrity. Fischer urges fundraisers to consider each ethical dilemma or decision as an opportunity to sharpen one's own ethical character. Each situation should be viewed from an end-of-life perspective and according to whether a particular decision will result in a life well lived.

To assist fundraisers in becoming more ethical decision makers, Fischer (2000) developed a chart using these three basic value commitments. This chart leads one through the ethical reflection process described earlier, organizing the various alternative decisions according to how each might impact the three value commitments and helping the fundraiser ask "good enough questions" (p. 24). Fischer suggests including at least one obviously unethical alternative among your options to prompt less obvious insights and solutions. Asserting that "there is no one single formula which, if applied correctly, will yield an 'ethically correct' decision" (p. 25), Fischer suggests that the real value of this chart lies in helping ferret out the wrong answers:

> There are plenty of wrong answers, and the hope is that after reflection, the wrongness of the wrong answers will be clear. One will be able to choose among the others with sensitivity and good judgment. If an alternative supports all three basic value commitments, you can be assured that it is ethically sound. (p. 26)

Josephson's Pillars of Character

The Josephson Institute has developed a model for ethical decision making that, while not designed specifically for fundraisers, complements Fischer's framework and offers valuable guidance for professionals. Both the Independent Sector and Josephson models are premised on the notion that ethical conflicts and dilemmas can best be resolved by referencing and clarifying the values and beliefs that underlie particular options. In "The Six Pillars of Character" (2002b), Michael Josephson suggests judging options against a series of virtues, which include the following:

1. Trustworthiness (honesty, integrity, promise keeping, loyalty)
2. Respect (autonomy, privacy, dignity, courtesy, tolerance, acceptance)
3. Responsibility (accountability, pursuit of excellence)
4. Caring (compassion, consideration, giving, sharing, kindness, loving)
5. Justice and fairness (impartiality, consistency equity, equality, due process)
6. Civic virtue and citizenship (law abiding, community service, protection of the environment)

Once the values are identified, Josephson (2002a) recommends a seven-step resolution process for resolving ethical issues:

1. *Stop and think*—Recognizing that many bad decisions are made in haste, this first step entails taking adequate time to think through all aspects of a situation before forming any conclusions.

2. *Clarify goals*—In this second step, practitioners are urged to determine precisely what must be decided as well as all alternatives. All stakeholders should be identified as well as all potential risks. This step also involves considering the short-term and long-term impacts of various alternatives.

3. *Determine the facts*—This third step asks decision makers to clarify what they know and what they need to know to reach a sound decision. Assessing the credibility of information sources and determining what information is most valid is an important part of this step.

4. *Develop options*—In the fourth step, decision makers should identify as many potential options as possible.

5. *Consider the options*—The fifth step involves referencing the six values discussed above to consider and assess each option. Impact on stakeholders is an especially important consideration.

6. *Choose*—In the sixth step, the decision maker chooses an option for implementation. Various criteria might be applied to one's choice including the golden rule test: If you were on the receiving end of this option, how would it feel?

7. *Monitor and modify*—The final step is perhaps the most important part of this process as it requires decision makers to remain vigilant in monitoring the impact of choices. "Since most hard decisions use imperfect information and 'best effort' predictions, some of them will inevitably be wrong. Ethical decision makers monitor the effects of their choices. If they are not producing the intended results or are causing additional unintended and undesirable results, they reassess the situation and make new decisions."

Anderson's Model of Ethical Decision Making

In *Ethics for Fundraisers* (1996), Albert Anderson suggests that most of the decisions faced by fundraisers can be resolved by turning to one of two major theoretical frameworks. The first framework, attributed to John Stuart Mill, is the Utilitarianism approach. According to this framework, the end result matters most: "Any action that on balance is an effective means to a satisfying end, generally 'the greatest good for the greatest number,' is ethically appropriate" (p. 39). Fischer's model discussed above is a good example of this approach.

The second framework (Anderson, 1996), the formalist approach, is attributed to Immanuel Kant and is based on the notion that there are certain moral rights or imperatives that should be followed regardless of the context. "To be morally worthy we must do our duty for its own sake, truly free of every other motivation, even the very strong feelings of sympathy and self-love" (pp. 40–41). Determining one's ethical responsibility depends on whether an action meets the "would it be right for everyone?" test. Anderson offers the example of a fundraiser who is considering deceiving a donor about her organization's plans in order to get a gift. If one turns the deception into a universal law, such as "always deceive others when it serves one's personal agenda," it is readily apparent that the fundraiser's intention is not ethically appropriate.

Based on his primary ethical domains of respect, beneficence, and trust, Anderson suggests that fundraisers should assess alternatives against three core principles: (1) Respect the essential worth and well-being of every person, (2) develop beneficence, and (3) build enduring, trustworthy relationships. After considering these principles, Anderson advises that the right course of action can be determined by applying three key questions to each alternative:

1. What seem(s) to be the ethical issue(s); that is, what does one judge to be right or wrong in this situation?
2. What action(s) would seem to make the situation right; that is, what ought we to do?
3. What ethical principle(s) and ultimate governing framework would justify the action(s)?

Summary and Future Directions

While the ethical codes and statements referenced in this chapter provide a common understanding about important ethical principles for fundraising, the Harris poll findings suggest that nonprofits still have a ways to go in shoring up public confidence. Clearly, the promotion of ethics as a guiding force for fundraising practice is a critical agenda item. Finding ways to more prominently integrate ethics into the education and training of fundraisers should be an important priority for the profession and for the organizations that hire fundraisers. Given the organizational context in which fundraising takes place, institutionalizing a culture of ethics and integrity is an important mandate for nonprofit leaders at all levels. Privacy issues will become increasingly complicated as nonprofits expand their use of social media and other forms of new technology to raise funds and reach out to their constituents. Fundraisers must take a leadership role to ensure that their organizations find the right balance between their need to know and the donors' right to privacy. In this age of mounting donor sophistication, the question, How much donor involvement is too much? is one that many fundraisers are already grappling with. Helping donors find an appropriate level of involvement while giving in the true spirit of philanthropy will be an increasingly crucial challenge for fundraisers going forward. And perhaps most essential, fundraisers must remain diligent in advocating for transparency and full disclosure. Fundraisers should take a proactive role in educating donors and the public about the real costs of fundraising and the need for an adequate fundraising infrastructure. They must lead the way in building and maintaining honest, trustworthy relationships with constituents. Nonprofits cannot fully or effectively realize their missions without the trust of the public they serve. The practice of ethical fundraising is a decisive factor in gaining and preserving this trust.

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Issues in Nonprofit Ethics

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Ethics exists in a multitude of formats from the philosophical and abstract to the realm of applied contexts defined by statutes and codes. All forms vary in their situational importance and some present as contradictory to each other. Scholars and students often find that ethical studies within a particular field follow a similar developmental pattern of moving from concrete, or black and white, to a more fluid shades-of-gray model. Narrowing the focus to applied, organizational-level ethics in the nonprofit sector we find an emerging body of knowledge that is moving along this developmental continuum.

To advance the reader's understanding of this important subject, this chapter discusses a variety of concepts to provide a foundational understanding of ethics assessment relevant to nonprofit organizations. Discussions about the characteristics of the nonprofit sector, organizational culture, and the value of organizational-level assessment combined with the identification of salient constructs for assessing nonprofit ethics, the introduction of an empirically supported tool for assessing ethics in nonprofit organizations, and proposed future directions for this emerging field serve to accomplish this task.

The Importance of Ethics to Nonprofit Organizations

Ethics plays an integral role in the viability of nonprofit organizations for multiple reasons. Nonprofit organizations serve as stewards of public monies and as a result they receive tax exemption privileges. This benefit comes in exchange for the work and services they provide to the societal common good. Nonprofit organizations historically have filled the gap between (a) the goods and services provided by business and government and (b) the remaining unmet needs of communities. This typically includes the specialized needs of marginalized populations. Since the work of nonprofits receives public scrutiny and often depends on the generosity of donors to continue providing services, nonprofits have a vested interest in maintaining ethical organizations. Even the hint or perception of unethical behavior can destroy a nonprofit entity as donors and community members will typically not support a nonprofit organization labeled as unethical.

Healthy and able nonprofit organizations increasingly recognize the value of periodically assessing their current ethical standing and continuously working to maintain high ethical standards within their organizations. Reviewing the events of the past decade, one can easily see the detriment that ethical lapses can cause when nonprofit agencies fail to maintain ethical organizations. The highly publicized unethical behavior of a few large nonprofit organizations has yielded, by some accounts, a sectorwide negative impact in the form of decreased donor generosity. Donors and the public at large don't appear to trust nonprofit organizations in the wake of ethical problems as evidenced by decreased giving trends.

Organizations seeking to ride out the guilty-by-association phenomena, while maintaining their funding streams and reputations, have needed to take a proactive approach to demonstrating their ethical health during these troubled times. Striving to create an ethical context in which ethical behavior is the default behavior has served as one means of accomplishing this task. Nonprofit leaders can promote a healthy ethical context within their organizations by staying informed and actively promoting ethics within their organizations.

Engaging in regular organizational-level assessment serves as one method for gathering the data nonprofit leaders need to assess the current level of ethical health in their organizations. Working from a data-based vantage point maximizes the opportunity to reinforce a culture supportive of positive ethical behavior. This informed perspective decreases the risk of having an ethical lapse. Thus, a proactive approach to organizational ethics through periodic ethics assessment provides nonprofit leaders with the needed data to inform them about the ethical culture that exists in their organization, so they can best serve their missions and constituents.

Distinctions Between the Nonprofit, Business, and Government Sectors

A plethora of contemporary book titles address the issue of organizational ethics. The wealth of publications, or even a simple Google search, indicates that the assessment of ethics at the organizational level represents a topic of interest to the leaders of all types of organizations—for-profit, nonprofit, and government agencies alike. However, important distinctions exist between the three economic sectors in one arena largely related to the acquisition of resources and regulations around the distribution of profits. Nonprofit entities operate under a nondistribution constraint, which prohibits the distribution of profits to their leadership. This prohibition on the sharing of profits presents in stark contrast to the for-profit model, where shareholders expect to receive a percentage of profits. The nondistribution constraint "provides a clear distinction that affects how the organization obtains resources, how it is controlled, how it behaves in the marketplace, how it is perceived by donors and clients, and how its employees are motivated" (Steinberg, 2006, p. 119). Again, given that philanthropic organizations depend largely on donor generosity, one can see how the perceptions of a nonprofit organization as ethical serve as particularly relevant and directly link with continued viability.

As the nonprofit sector and business sector differ, the nonprofit sector and government sectors also exhibit distinct boundaries between each other and their roles in our economy. Nonprofit scholar Steinberg (2006) notes the government sector serves as a mediator, facilitator, and regulator of both for-profit and nonprofit activities. Steinberg uses the example of governments providing roads and highways, which provide literal access to and between places that members of all sectors use. This supports Steinberg's categorization of government as a facilitator or intermediary. Further, governments provide subsidies to specialized groups as needed, and they fill the gap when for-profit or nonprofit entities breach their contract with the public to provide needed goods and services.

The Need for Specialized Tools

The unique quality of the nonprofit sector, as distinct from its for-profit and government siblings, provides the basis for using tools designed specifically for assessing organizational ethics within nonprofit agencies. The nuanced, and at times, overt differences between the sectors render tools designed for one sector as insufficient to fully assess the others. Stated another way, it's not that assessment tools cannot be used across sectors with some success, but that the distinctions among the sectors indicate that each warrants instruments designed specifically to meet the needs of that particular sector. The paragraphs that follow further discuss the need for specialized tools to assess nonprofit organizations.

Limitations of Existing Tools From Other Sectors

The business sector, followed by the government sector, has conducted the largest amount of work in the area of assessing and understanding organizational ethics. However, significant criticisms exist regarding this body of literature. The work in both of this milieu has been limited and has often focused on solely one part of the organization: For example, studies tend to highlight the ethics of executive managers or the effect of ethics policies on compliance. Focusing an assessment on one area of an organization can provide detailed information about that department or segment of the organization, but it risks obtaining a false picture of the organization's overall ethical health. As an alternative, organizational-level assessment provides comprehensive data able to inform nonprofit leaders about ethical strengths and weaknesses within the organization and provides a holistic view of the organization.

An additional concern regarding the work on organizational ethics conducted in other sectors grows out of questions surrounding the methodological soundness of those instruments and studies. Specifically, the business literature identifies poor use of instrument pretesting, limited validity and reliability testing, and antiquated practices, among many tools used to assess ethics in the for-profit sector.

In a literature review conducted by Randall and Gibson (1990) on studies of business ethics, an astounding 78% (73% by Barrett's calculation) of the studies they looked at conducted no pretest of their research instruments with a relevant population, and only three researchers received a positive nod for conducting statistical reliability or validity measures. Additionally, 53% (50% by Barrett's calculation) of the studies used new (previously untested) assessment tools without any reported pretesting. This lack of rigor among the testing practices and use of these instruments raises serious questions about the reliability, validity, and the generalizability of these numerous studies to the business sector, let alone to the nonprofit sector.

Limitations of Applying Tools Across Sectors

In addition to recognizing the weaknesses of the existing tools in other sectors, support for using assessment tools designed specifically for nonprofit organizations comes from the growing body of literature that identifies the limitations of applying best business practices to nonprofits with the expectation of achieving similar positive results. In fact, some indication exists that well-intended business practices used in a nonprofit organization may be not only ineffective but also harmful to the organization and its ability to achieve its mission. This may be a result of fundamental differences in organizational purpose between for-profit and nonprofit organizations or a variety of factors. Whatever the cause, it provides more support for using sector-specific tools for assessment and at a minimum informs organizational leaders to proceed with caution when using tools across sectors.

Upon considering the information reviewed above, one can easily appreciate the need for specialized tools given the unique characteristics of the nonprofit sector, the limitations of existing tools in other sectors, and the evidence that applying methods and tools across sectors may not provide the best assessment for organizations outside the original type it was designed to assess. In light of such significant support, one may wonder why the use of specialized tools is not already standard practice. The next section explores the answer to this question.

A Paucity of Specialized Tools

The primary challenge to using instruments designed for the nonprofit sector to evaluate organizations within the sector is the lack of such instruments. Strikingly few empirical studies of organizational ethics in the nonprofit sector exist. Two studies of note constitute the bulk of literature in this area: The *National Nonprofit Ethics Survey* (2008) conducted by the Ethics Resource Center (ERC) and *The Nonprofit Ethics Survey* (Barrett, 2008).

The National Nonprofit Ethics Survey

The *National Nonprofit Ethics Survey* is a specialty report produced from the National Business Ethics Survey (NBES). Since 1994, the ERC has conducted the NBES approximately every 2 years, and many business leaders recognize the NBES as the gold standard for identifying trends in business ethics. The NBES gathers data from employees of all three economic sectors, and in 2008, the ERC produced two specialized reports from the NBES data: the *National Government Ethics Survey* and the *National Nonprofit Ethics Survey*.

The *National Nonprofit Ethics Survey* serves as a practitioner-friendly report of trends in ethical behavior by the employees of nonprofit organizations. The survey clearly identifies the important link between organizational culture, the actions of an organization's leadership, and the presence of a compliance program in supporting organizational ethical health. The survey report also presents a risk index model for nonprofit organizations and compares the ethical behavior of nonprofits to that of the business and government sectors.

The primary critique of the *National Nonprofit Ethics Survey* report is the use of the same instrument for employees of all three sectors. Thus, it too is not tool or study specific to the nonprofit sector. However, the large number of subjects in the study, the methodologically solid survey instrument and survey process, and longevity of the study serve to ameliorate this concern. Additionally, the use of the same survey instrument across sectors in a study with a scope as large as the NBES allows for comparisons between sectors. Now, while the confidence with which one can generalize about results between sectors remains open to further exploration and validation, the survey provides a pioneering attempt at comparing ethical behavior across sectors in a methodologically sound manner.

The Nonprofit Ethics Survey

The Nonprofit Ethics Survey (Barrett, 2008) stands as the only empirically supported survey instrument designed specifically for assessing nonprofit organizational ethics. The survey grew out of a multiyear ethics initiative at the Institute for Nonprofit Education and Research at the University of San Diego and created a methodologically sound, practitioner-friendly instrument.

The "Nonprofit Ethics Survey" instrument assesses ethics at the organizational level by asking all members of the organization the same questions about ethics to provide a snapshot view of the organizations ethical health and to identify any disparities between levels of the organization should they exist. The survey is based on six empirically supported constructs, which are described later in this chapter, and includes a separate section of questions about governance practices asked only of the organization's board members.

To facilitate ease of survey administration, data collection, and interpretation of results, the "Nonprofit Ethics Survey" is an online survey instrument that nonprofit organizations can self-administer. The survey typically takes 10 to 20 minutes to complete depending on the respondent's level of computer proficiency and whether or not the respondent is a board member (board members answer additional questions on the survey about governance issues). Access to the survey is free of charge to any nonprofit organization and available through the Institute for Nonprofit Education and Research website (www.sandiego.edu/npresearch).

The age of the "Nonprofit Ethics Survey" serves as the primary critique of this instrument. The survey was developed and tested in 2008 and has been available to the public via the Internet since late 2009. As greater numbers of organizations use the survey and provide feedback, the level of methodological and positive anecdotal support that already exists for the survey will gather greater depth and fortitude.

Distinctions Between the Surveys

An important distinction exists between the *National Nonprofit Ethics Survey* and the "Nonprofit Ethics

Survey." The *National Nonprofit Ethics Survey* is a *report* of survey data collected by telephone interviews approximately every 2 years using a tool designed primarily for the business sector, but used with employees of all three sectors. The "Nonprofit Ethics Survey" is an online survey *instrument* designed for assessing ethics in individual nonprofit organizations.

The *National Nonprofit Ethics Survey* and the "Nonprofit Ethics Survey" instrument present as complementary in their use to members of a nonprofit organization's leadership, such as an executive director or a board of directors. The *National Nonprofit Ethics Survey* report provides overall data about national trends in nonprofit ethics and the components of ethics programs identified as critical to maintaining an ethical organization. The "Nonprofit Ethics Survey" provides a methodologically sound instrument with which to gather data about the individual organization to assess its current ethical health. Nonprofit leaders using both the report and survey would obtain reliable data about their organization with the opportunity to benchmark its standing against national trends and the known best ethical practices.

As noted, the *National Nonprofit Ethics Survey* and *The Nonprofit Ethics Survey* comprise the bulk of the scholarly literature on nonprofit organizational ethics. Three additional studies exist. However, they focus on a segment of ethics within an organization, not on organizational-level assessment, and as such do not provide a comprehensive evaluation of an organization. Given that five studies comprise the complete body of scholarly literature on nonprofit organizational ethics, the field presents as ripe with empirical research opportunities and in great need of further exploration.

Compliance: Important to Ethics but Not Enough

Separate from the empirical studies conducted in the field of nonprofit ethics, a large body of complementary work has focused on issues of compliance. Compliance typically refers to adherence to laws, policies, or procedures. Checklists represent a useful way to measure compliance by providing recommendations for how things should be in an organization. Primarily, three forms of tools exist in this arena: (a) checklists to determine whether organizations use empirically supported best practices, (b) checklists to measure the level of compliance with regulatory statutes, and (c) voluntary certification programs.

Organizations assessing themselves by compliance standards, such as the three types mentioned above, demonstrate awareness of ethical issues. However, relying on compliance alone has limits. The existence of a policy says nothing about the practical application and use of the policy—specifically, how things actually are in the organization. Further, the literature shows that the most beautifully written, long-established, and formally adopted code, policy, or procedure within an organization will prove no match for the ethical context of the organization if the code, policy, or procedure conflicts with the ethical context.

This means organizations committed to preventing ethical lapses must focus on creating a culture that fosters an ethical environment. Stated another way, compliance checklists and organizational best practice guidelines provide a good start—but no more—as they ignore the integral role of organizational culture in ethical behavior. If organizations want to decrease their risk of unethical conduct, they must put their energy into building the right culture over building a compliance infrastructure. The ERC explicitly identifies this relationship stating that a well-designed compliance program serves as one component of creating a culture supportive of ethical health within nonprofit organizations. Thus, compliance is integral to ethics but not a stand-alone solution.

The next sections of this chapter further discuss the important role of organizational culture on ethics and compliance. Additionally, information about the comprehensive nature of organizational-level assessment and how this practice gleans information missed by programs based solely on compliance and checklists is reviewed.

The Power of Organizational Culture on the Members of an Organization

All types of organizations create and maintain a unique social context, including nonprofits. Social context, also often referred to as organizational climate or organizational culture, serves as the unwritten code of conduct by which members of an organization abide. The power social context has over the members of an organization to shape and direct their behavior often exceeds the written polices and procedures of the organization. To underscore the singularity and strength of culture, one can best conceptualize opposition to the values and beliefs of an organization's social context as equivalent to swimming against the current of a river, while still heading at a fast pace toward a waterfall. Typically, those who do not comply with the unwritten rules of the organization find themselves faced with the choice of leaving the organization or "going over the falls."

The Role of Individual Ethics

The literature on ethics supports the above claims. To confirm this, let's explore the role of individual ethics within the milieu of the organization and define ethics and ethical behavior. These confirmations will serve to support the connection between organizational social context and organizational ethics. To begin, one must first appreciate that each member of an organization holds personal ethical beliefs. Bowman (1976) defined ethical beliefs as judgments about what represents right or wrong and whether or not those judgments present as bad or good. These beliefs shape the actions or behaviors by the individuals on behalf of the organizations to which they belong. Actions and behaviors by individuals make up *ethical behavior,* which Runes defined in 1964 as the "just" or "right" standards of behavior between participants in a given setting (as cited in Randall & Gibson, 1990).

The Power of Situational Context

However, although personal beliefs play a role in decision making and behavior, the strength of the organizational context significantly affects the ethical behaviors of individuals. The power of situational factors can cause individuals to act in a manner inconsistent with their personal beliefs and in contradiction to known best practices.

The behavior of U.S. military personnel at Abu Ghraib prison in Iraq provides a highly publicized example of the power of situational context, or culture, on individual ethics and behavior. One can reasonably assume that under normal circumstances the U.S. soldiers at Abu Ghraib would not engage in torture. However, we now know that some did and to great extremes. In attempting to understand what happened at Abu Ghraib, scholars have added to our knowledge of the critical link between organizational culture, the actions of administrators that create and reinforce a particular culture, and the behavior of the organization's members. Scholar Reinke (2006) explicitly explored these relationships to highlight the power of organizational culture on individual behavior.

Additional work in this area exists including the Stanford Prison Experiment conducted in 1971 by Philip Zimbardo (2007) and the work of psychologist Stanley Milgram (1974) on obedience to authority. Zimbardo's study tested what happens when "good" people are placed in an "evil" position, and the experiment, originally planned for 2 weeks, ended after 6 days due to the extremely disturbing behavior of participants. Both Zimbardo's and Milgram's research further demonstrate that profound changes in behavior, including unethical behavior and behavior reported as inconsistent with the person's moral and ethical values, does in fact occur when supported by the situation or culture.

Relative Morality and the Importance of Knowing an Organization's Culture

Research on the strength of the situation, or social context, provides some answers and theory to support the concept of relative morality: the thought that individuals will have inconsistent or incongruous ethical responses within different contexts. Given the potential for this ethical fluidity, the leaders of nonprofit organizations have a critical need to know where on the spectrum of ethical support their organization's social context falls. Stated directly, one cannot simply employ ethical employees and expect to have an ethical organization. An organization must maintain an ethical context that both supports and reinforces ethical behavior, while also upholding accountability to ethical standards at all levels of the organization.

For these complex reasons, it serves as critical for the leadership of nonprofit agencies to periodically engage in organizational-level ethics assessment with statistically sound instruments and to understand the components critical to maintaining ethical health. The next sections of this chapter will discuss organizational-level assessment, the macro-level motivations for nonprofit organizations to embrace organizational-level ethics assessment, and the constructs critical for nonprofit leaders to assess.

What Is Organizational-Level Assessment?

Organizational-level assessment provides a 360-degree view of the organization by engaging all members in the assessment process. Imagine if only one level of the organization, for instance board members, participated in an ethics assessment. The board may falsely believe the organization is ethical, or their knowledge of solely governance issues may blind them from the daily operations in which staff members ignore the policies and procedures that, if followed, would ensure ethical behavior. In this case, by only assessing the board members, the opportunity to identify differences in perception between levels of the organization is lost.

In organizational-level assessment, the unit of analysis is the organization. By asking all members to participate, if disparities exist between the board members and staff or between senior staff and line staff, they will be identified. Identification of varied perceptions helps to ensure an accurate picture of the organization. This accurate information then allows the leadership of the organization, usually the executive director, board members, and in larger organizations, key members of the senior or executive staff to make any needed changes and to work toward creating or maintaining a healthy ethical context.

The potential minimization of positive response bias serves as an added advantage of conducting an organizational-level assessment. Granted, most people have a positive response bias when completing a survey about themselves or their organization, unless things are really bad, but by asking all levels of the organization to participate, even with positive response bias present, a pattern of behavior and norms (whether good or bad) can be more readily identified. To further explore positive response bias, consider our earlier example of assessing only the board members of an organization. In an organization with poor ethical health, if solely the board members are surveyed and the board—through lack of knowledge, denial of problems, or simple ignorance—provides a falsely positive picture of the organization, the credibility of the positive assessment has no basis for evaluation or internal reliability. However, if all levels of the organization participate in the assessment, a falsely positive report by the board members can be challenged by variations in responses at different levels of the organization, even when the variations in response present as subtle.

Drawback to Organizational Level Assessment

The investment of resources, namely time, presents as one significant drawback to conducting an organizational-level assessment. As all members are requested to participate, the organization must commit the necessary resources to engage all members in the process through paid employee time, volunteer time, and infrastructure support (e.g., computers for online surveys). However, the old adage that anything worth doing is worth doing well may indicate that organizations serious about ethics assessment will consider these costs an investment in the process and well worth the expense.

Taken together, the benefits of organizational-level assessment indicate that it presents a great option for nonprofit organizations who wish to obtain a comprehensive picture of their ethical context. The pro of knowledge gained outweighs the con of expense and the required infrastructure support for forward-thinking, proactive nonprofit organizations.

Motivations for the Nonprofit Sector to Embrace Organizational-Level Assessment

Primary motivations for the nonprofit sector to engage in organizational-level ethics assessment include providing the best possible stewardship of public monies and trust and compliance with governmental regulation. The key elements of these motivations are addressed in the paragraphs that follow to further demonstrate the benefit of organizational-level ethics assessment to nonprofit organizations.

Stewards of Public Monies and Trust

A primary motivation for nonprofit organizations to embrace measures of organizational-level ethics assessment relates to their position as stewards of public monies and trust. Nonprofits seeking to keep the faith of donors and all stakeholders in the organization must regard efforts to build and maintain ethical organizations as critical. Specifically, they must work to maintain public trust. Engaging in comprehensive ethics assessment and applying the knowledge gathered, along with being a learning organization, serve as effective methods to help secure public trust.

Much support exists for the link between ethics assessment and increased levels of public trust. First, the process of conducting an ethics evaluation often raises awareness of ethics simply by virtue of asking members of the organization to think about ethics. Researchers have also found the use of assessments increases the use of recognized best practices within organizations thus leading to more healthy, progressive, and adaptive organizations. Most recently, this has manifested in the form of organizations with greater levels of transparency. Finally, the employment of regular and formalized evaluation also presents as a trait of *learning organizations,* an organizational type first described by Argyris (1977) and Senge (1990). Learning organizations use evaluation feedback to promote positive growth within their organizations, and scholars report that possessing the traits of a learning organization serves to enhance public trust.

Argyris described organizational learning as a process of identifying and removing barriers to knowledge, and he identified two types of organizational learning: single-loop and double-loop. *Single loop* learning works in a reactive manner: An organization or system recognizes a problem and then takes steps to correct the problem. Argyris uses a thermostat as an example to describe single-loop learning. Thermostats register if the temperature in a room is too high or too low and then adjust the temperature. However, single-loop learning, like the thermostat, functions only as a reactive response. Single-loop learning provides no opportunity to prevent the problem just simply to fix it once it has occurred. *Double loop* learning involves an organization or system questioning its policies and procedures and their underlying objectives. Double-loop learning represents a proactive response, and engaging in it can promote an evaluative atmosphere that may prevent problems.

Double-loop learning develops the ethical context of organizations in a positive manner, and it requires self-examination and assessment to provide the data needed for organizational learning. Studies have found that learning organizations have an increased likelihood of ethical integrity as the process of questioning the underlying assumptions that compose the social and ethical context of an organization facilitate transparency. As noted earlier and discussed more fully later in this chapter, organizational transparency plays a key role in organizational ethics.

By examining the links between organizational learning, ethics assessment, and public trust, the value of engaging in comprehensive regular ethics assessments presents clearly. Substantial motivations related to being good stewards of public monies and public trust exist that also relate to organizational-level ethics assessment for nonprofits.

Governmental Regulation

Government regulation serves as the second motivation for nonprofit agencies to embrace organizational-level ethics assessment. Nonprofit organizations have great reason to expect increased governmental regulation soon as the three economic sectors tend to follow the same trends. Following the passage of the Sarbanes-Oxley Act of 2002, which holds businesses to higher accountability standards, a ripple effect occurred in the nonprofit sector. Since 2002, twenty-nine states have put forth similar legislation for nonprofit accountability (National Council of Nonprofit Associations, 2007, http://www.councilofnonprofits.org).

Additionally, the Internal Revenue Service (IRS) has released a significantly revised 990 form with a rolling implementation schedule that commenced with tax year 2008. Larger nonprofits used the revised form effective tax year 2008 while smaller organizations were given a 3-year period to comply with all requirements of the revised form. Nonprofit organizations, those agencies granted tax-exempt status by the IRS, with gross annual receipts of $25,000 or greater, are required to file the 990 form each year. The revisions to the 990 form continue the two historical uses of the form: (1) provide information to the IRS and (2) provide information to the public. However, the new form collects many additional pieces of data and includes a summary sheet that creates a more user-friendly snapshot of the organization. This snapshot perspective can help inform current or potential donors as well as the IRS about the activities of a specific nonprofit agency.

Some additions to information gathered by the 990 form incorporate an element of oversight into the governance of individual nonprofit organizations. This addition can potentially allow an individual outside the organization to assess the relationship between a nonprofit's level of corporate governance and compliance with the tax code (Lewis, 2009). Related to governance, the revised 990 form inquires about the nonprofit's board of directors, the presence of compliance policies including a conflict of interest policy, whistle-blower protection, document retention policies, the use of board meeting minutes, and even bylaw details, such as number of voting board members. Attention to corporate governance by the IRS, via the actions to summarize the information and make it easily accessible, highlight the need for nonprofit leaders to take corporate governance seriously and the continuing trend toward increased organizational transparency.

As a result of this movement toward increased governmental regulation and in the interest of raising the standard of nonprofit operations, nonprofit leaders and advocates have proactively increased the forms and modes of self-regulation within the sector. However, most self-regulatory efforts have focused on compliance, which as discussed previously is necessary but, used alone, insufficient to establish consistently high levels of ethical conduct (Barrett, 2008; Ethics Resource Center, 2008). The next section of this chapter will further explore this issue through a review of some current trends in self-regulation by the nonprofit sector.

Increased Self Regulation by the Sector

Since the introduction of Sarbanes-Oxley, nonprofits have significantly stepped up their individual and collective efforts at self-regulation. This increase is evidenced by the promotion of published standards for ethics, legal compliance, empirically supported best practices, voluntary certification programs, and sector-wide educational campaigns. Published standards for legal compliance and best practices typically combine the minimum legal standards for nonprofits with the known best practices for governance, transparency, and financial matters. These integrated checklists serve as benchmarks against which to compare organizations. Voluntary certification programs have also emerged as a form of self-governance; they typically require verified compliance with specific published guidelines. With verified compliance from the accrediting body, nonprofit organizations receive certification, sometimes in exchange for a fee.

The rapid increase in the awareness of ethics, transparency, and other related issues throughout the nonprofit sector comes as a secondary benefit of increased government regulation and initial efforts at self-regulation. However, the majority of these efforts focus on compliance. As mentioned previously, while having a well-established compliance program serves as a key component of maintaining an organization with strong ethical health, it works best when paired with a strong cultural emphasis on ethics inclusive of ethical leadership, supervisor reinforcement, peer commitment to ethics, and having ethical values embedded in the organization (Ethics Resource Center, 2008).

At present, many organizations within the nonprofit sector have not yet achieved a state of strong ethical health and the sector at large has only recently adopted sector-wide standards, such as the Panel on the Nonprofit Sector's principles (2007). Additionally, while a plethora of articles discussing self-regulation demonstrate overall support for the standards set forth by the Panel on the Nonprofit Sector, significant and well-founded criticisms of the self-regulation movement also exist. The concerns voiced deem the sector's actions and the Panel on the Nonprofit Sector's principles as too weak. Specifically, some believe the Panel on the Nonprofit Sector's *Principles for Good Governance and Ethical Practice* (2007) represents a missed opportunity to create guidelines with real depth. While the lack of perspicuity may be a result of the diversity of the sector and the panel's attempt to design a one-size-fits-all set of standards, the critique stands.

To the panel's credit, within the guidelines, graduations serve to increase the auditing and recommended regulatory actions based on organizational budget size. However, indication exists that the nonprofit community may view the guidelines as too weak for large organizations and too overbearing for small nonprofits. Potentially in response to these critiques, or at least at the request of nonprofit practitioners grappling with how to practically apply the principles in their organization, Independent Sector (the convener of the Panel on the Nonprofit Sector) working with BoardSource has created the *Principles Workbook* (2009) to assist nonprofit leaders with applying the panel's *Principles for Good Governance and Ethical Practice* guideline. Nonprofit leaders using the workbook are promised clarification of each principle and its underlying issues, as well as an understanding of the relevant compliance components tied to each principle. Finally, in spite of significant critiques, the sector-wide support for the principles created by the Panel on the Nonprofit Sector and the continued focus on ethics represent positive forward movement by the sector. They also provide evidence of movement toward double-loop learning.

Another way to frame the progress of the sector in a positive light—in the presence of credible critiques—comes from considering the reality of a stricter alternative. Juxtaposing the burden of adopting self-imposed standards, such as the Panel on the Nonprofit Sector's principles, with the hypothetical burden of adhering to Sarbanes-Oxley (should similar legislation pass for nonprofit organizations), one begins to view the principles as an important first step. Consider that a 2005 study by the Urban Institute revealed that requiring nonprofit organizations to comply with solely the audit committee provisions of Sarbanes-Oxley would prove a burden for 40% of nonprofits. Taking on the whole of Sarbanes-Oxley's requirements adapted for nonprofits would likely cripple or eliminate smaller nonprofit organizations. This indicates that the sector must make slow progress toward the voluntary ideals set forth by the Panel on the Nonprofit Sector's principles and recognize them as foundational steps toward meeting likely future requirements of governmental regulation.

This section has presented two well-supported motivations for nonprofit organizations to embrace organizational-level assessment: stewardship of public monies and preparation for likely increased regulation. The latter of these motivations can be served by increased self-regulation and informed assessment in three ways. First, successful self-regulation may deter or slow increased governmental regulation. Second, if governmental regulation remains likely, or unavoidable, then proactive movement to self-regulation will ease the burden of compliance when imposed regulation occurs. Finally, the sector can collectively raise the standard of accountability by promoting increased knowledge of empirically supported best practices.

The former of these motivations will serve nonprofit organizations and an increasingly informed and sophisticated public through the attainment of reliable data about individual organizations. Together, these two motivations present compelling support for nonprofit organizations and the sector as a whole to embrace organizational-level ethics assessment.

Incremental Progress and Movement Toward Double-Loop Learning as a Sector

Through the discussion in the previous section, we have chronicled the movement of the nonprofit sector from regulation occurring at various levels within individual organizations to sector-wide self-regulation in compliance with identified standards. It serves as important to remember that the sector's movement along this developmental path can be viewed in a positive or negative light.

Consider compliance in the following example. A valid criticism of the sector can be made by noting that compliance serves as only one element of promoting ethical health in organizations and that an emphasis on compliance represents a reactive approach most characteristic of single-loop learning—creates compliance checklists that model a thermostat approach: Compares an organization's current activities to a predetermined standard to see how it measures up (e.g., if the room is too hot or too cold). However, the same fact, emphasis within the sector on compliance, represents great progress when one considers that less than a decade ago none of the checklists or standards for accountability existed. Thus, evidence exists that philanthropic organizations (and the sector as a whole) are moving toward double-loop learning. The leaders of nonprofit organizations through their increased interest in ethics have begun to actively assess and question the current state of affairs within their organizations in a sophisticated manner by searching beyond the surface-level policies and procedures to access their underlying objectives. This searching will facilitate the ability to attend to the subtleties of social and ethical context and work toward greater ethical health.

In summary, recognizing the current status of the nonprofit sector as part of a natural progression forward provides a basis for objectively monitoring progress and a source of hope that the sector will ultimately advance toward greater overall ethical health. The next section of this chapter will explore the constructs relevant to assessing the ethical context of nonprofit organizations through the "Nonprofit Ethics Survey," an instrument designed specifically for nonprofits to conduct an organizational-level assessment.

Salient Constructs for Assessing the Ethical Context of Nonprofit Organizations

The identification of constructs salient to assessing the ethical context of nonprofit organizations served as the first step to developing the "Nonprofit Ethics Survey." Through a rigorous methodological process, the constructs were identified, survey questions crafted, and the final instrument tested, revised, and implemented with several nonprofit organizations. This process yielded a statistically reliable and valid instrument based on six constructs critical to assessing the ethical context of nonprofit organizations. Perhaps equally as important, the constructs measured by the "Nonprofit Ethics Survey" resonate with nonprofit practitioners and scholars when applied in nonprofit organizations. The six constructs are organizational transparency, open communication, decision making, accountability, daily-ethics behaviors, and governance. Notably, the most commonly used compliance checklists discussed throughout this chapter have representation of the six constructs embedded in their frameworks. Information about each of the constructs and how it relates to nonprofit ethics follows.

Organizational Transparency

Organizational transparency represents a well-defined and studied concept in the academic literature and numerous researchers have found that transparency promotes good governance in organizations. Transparency calls for allowing access to information about internal processes, policies, and decision making. That said, transparency does not equal full or thoughtless disclosure. Appreciating organizational transparency as a positive characteristic of organizations requires recognizing it as movement from complete containment of information by an organization (the historical business norm) to discretionary release of information in the spirit of openness. Transparency erases the need to assume and instead provides information freely. In exchange for the efforts required to promote transparency within an organization, nonprofits can anticipate increased protection from the threat of corruption, unethical activities, and scandal. Maintaining a transparent organization increases the ethical health of the organization by serving to facilitate and reinforce a culture supportive of transparency and ethical behavior.

Open Communication

Open communication relates to organizational ethics by assessing whether organizations have an environment that promotes or inhibits inquiry and learning. Scholars support a belief that periodic review of the agency's activities and especially mistakes provides an opportunity for increased knowledge. Without a social milieu supportive of dialogue, discussion, and debate, organizations run the risk of falling into an "emperor without any clothes" scenario. In this type of organization, as in the parable, no one speaks the painfully obvious truth. However, in the nonprofit sector (and business world), ethical lapses may secure front-page coverage on the local newspaper. Thus, creating a safe and open atmosphere for discussion can facilitate the discovery and correction of ethical issues—before they make headlines. Open communication and the culture of inquiry also promote double-loop organizational learning.

Decision Making

Decision making exists as a broad organizational concept in the academic literature whose scope narrows for the "Nonprofit Ethics Survey" to interests about whether stakeholder input has been gained at key intervals (e.g., before starting a new program and at stated intervals thereafter), and whether organizations use evidence on which to base their program and agency decisions. Substantial support for the use of data-driven decision-making methods exists in the nonprofit literature. Ethical decision making links closely with organizational transparency as the process of making informed program decisions and gathering stakeholder input constitutes a transparent operation.

Accountability and Daily Ethics Behaviors

Daily-ethics behaviors encompass the traits and level of communication and the consideration of ethics in daily activities present in the organization. This concept was first identified by the National Business Ethics Survey (NBES) conducted by the Ethics Resource Center (2005, 2007). Daily-ethics behaviors, assessed by the "Nonprofit Ethics Survey," evaluate specific daily activities related to ethics and measure the accountability standards at all levels of the organization. These two constructs in the "Nonprofit Ethics Survey" assess two key areas: (1) Are members at all levels of the organization held equally accountable? (2) Do the actions of members at all levels of the organization set a good example of ethical behavior and communicate a consideration of ethics? These concepts are instrumental to assessing the current ethical culture of an organization. Research has demonstrated that the board of directors and senior management set the ethical tone of organization; thus, understanding how they are perceived by all levels of the organization provides valuable insight into the organizational culture.

Governance

Governance comprises one of the most widely studied concepts in the nonprofit and business literature. Effective best practices for governance shape the ethical context of organizations. As discussed above, ethical *tone at the top* promotes ethical behavior, and maintaining consistent accountability to universal standards throughout the organization serves as critical to developing an ethically healthy organization (Ethics Resource Center, 2005; Seligson & Choi, 2006). Adherence to established best practices for governance also promotes an ethical organizational context and represents some essential practices of effective governance. The "Nonprofit Ethics Survey" serves to assess the knowledge level of board members regarding governance issues that often identify areas that would benefit from further discussion, training, or policy development.

Additional Details and Supplemental Survey Questions

In the case of the "Nonprofit Ethics Survey" the same questions about ethics are asked of the board members, senior staff, line staff, and in some cases, the volunteer members of the organization. This allows the leadership of the organization to identify areas of consistency or discrepancy among respondents. The inclusion of all members of the organization in the assessment serves as a means for obtaining a comprehensive picture of the organization. The governance questions represent the only exception to this practice. Solely the voting members of the board of directors respond to the governance questions in the survey, as typically they are the only ones knowledgeable (or required to be knowledgeable) about those practices.

In addition to questions categorized under the six constructs identified above, the "Nonprofit Ethics Survey" contains supplemental questions to assess the organization's ethical culture from an intuitively supported perspective. An example of a supplemental question is "learning from mistakes is encouraged in our organization" or "we consciously strive for continual improvement in our organization." Neither of these questions fit within the empirically supported constructs of the survey, but use of the survey with nonprofit organizations revealed that the leaders of those organizations found value in knowing how the members of their organization responded to these questions.

Ultimately, the constructs identified as salient to assessing ethics at the organizational level within nonprofit organizations, in combination with the supplemental questions, compose the first (and currently only known) statistically supported survey instrument designed specifically for use with nonprofit organizations. Use of the survey provides a snapshot assessment of a nonprofit organization's current ethical culture. Nonprofit leaders also have the opportunity to use the survey with an organization over time to gather a longitudinal assessment and monitor change. Secondary gains of using the survey may include increased use of empirically supported best practices and a smaller gap between known ethical behaviors and what actually occurs day-to-day.

Future Directions

The field of nonprofit ethics presents as open to exploration on a multitude of levels. First, as a sector, advancements in theory and practice to help move the field from a reactive to a proactive approach will greatly increase overall effectiveness. Increased efficiency will prove invaluable to a sector plagued by endless work with scarce resources. Additionally, the development of a broad range of empirically supported, user-friendly, sector-specific tools for assessment will provide nonprofit leaders with a means to gather needed data. Data will help facilitate informed decision-making processes and encourage double-loop learning by individual organizations and the sector as a whole.

Monitoring studies of the business sector and the impact of Sarbanes-Oxley on ethics, business infrastructure, and compliance will also serve the nonprofit sector well. By understanding the efficacy, or potential ineffectiveness of Sarbanes-Oxley, the nonprofit sector will create an informed platform from which to lobby for helpful legislation and against needless bureaucracy or ineffective and burdensome laws.

Moving from the macro-level to the specifics of the two studies discussed in this chapter, the *National Nonprofit Survey* report will benefit from continued replication to monitor trends in workplace ethics and identify changes in nonprofit-sector ethical behavior over time. Additionally, studies will determine if the comparisons between sectors by the *National Nonprofit Ethics Survey* report are empirically supported and whether use of a universal instrument to assess organizational ethics in all three sectors performs well under scientific scrutiny.

The "Nonprofit Ethics Survey" instrument will benefit from continued use with a greater number of organizations over time. Through anecdotal feedback gained and potentially repeated statistical analysis, the survey can be further strengthened and refined to yield the most parsimonious measure of organizational ethics.

The dynamic state of the nonprofit sector during recent years provides great opportunity for research and theoretical contributions to help advance the field. Nonprofit practitioners, the consumers of nonprofit services, and the public at large have become increasingly sophisticated, and the demand for knowledge about best practices shows no signs of slowing. The sector and field will continue to evolve, and movement that propels the nonprofit sector away from a reactive approach and toward more double-loop learning will benefit all nonprofit agencies.

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BUILDING AN ETHIC OF SERVICE

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David Whyte (1994) describes the relationship that many Americans have with work:

> We have been handed an accepted work world in which the things that really matter in human life have been pushed to the margins of our culture. Much of our present struggles with our organizations have to do with remembering what is essential and placing it back in the center of our lives. We stop waiting in quiet desperation for our career rewards to get to the point where they finally make up to us for everything we have lost. (pp. 294 295)

This chapter investigates the power of service as a way of, as Whyte stated, "remembering what is essential and placing it back in the center of our lives" (pp. 294–295). It attempts to answer the question, "How can the nonprofit organization better tap the potential of the ethic of service inherent within its ordination?"

Although Whyte speaks of the corporate workplace, the nonprofit workplace is not exempt from the malaise of brokenness experienced by so many in the workforce. The nonprofit world does, however, have a singular advantage. Nonprofits are born out of human needs. While the for-profit organization spends hours and dollars crafting the perfect mission statement that will motivate its workforce to sacrifice itself in pursuit of altruistic goals undergirded by values that sound as though Mother Theresa were the CEO, the nonprofit organization's mission is clear from the outset. Certainly, that mission statement requires refocusing from time to time, but due to the fundamental nature of the nonprofit, the drive for profit does not distract it from its raison d'être. Master of business administration (MBA) students learn that the fundamental aim of business is to increase value for shareholders; nonprofit students learn that the fundamental aim of the nonprofit organization is service. Employees of both for-profit and nonprofit organizations, however, according to research conducted by Jurkiewicz, Massey, and Brown (1998), appear to have similar drives and needs and do not have significant differences when rating important motivational factors. The research reported a surprising finding: "Of special note and quite contradictory to previous research is the finding that private sector employees assign a higher rank to 'chance to benefit society'" (p. 236).

In apparent support of the research conducted by Jurkiewicz et al. (1998), on May 30, 2009, the *New York Times* printed an article heralding the ethic of service in the world of profit. It reported on a trend among students of the top tier business schools toward taking an oath to consciously serve the greater good and limit personal ambition:

> Nearly 20 percent of the graduating class (at Harvard) have signed "The M.B.A. Oath," a voluntary student led pledge that the goal of a business manager is to "serve the greater good." It promises that Harvard M.B.A.'s will act responsibly, ethi cally and refrain from advancing their "own narrow ambi tions" at the expense of others. (Wayne, 2009, "A Promise to Be Ethical in an Era of Immortality")

Additionally, the power of service has been acknowledged as numerous corporations turn to providing paid time off to employees for the purpose of volunteering. Employee involvement in volunteering, although initially designed to enhance the corporations' social responsibility profiles, is now understood to enhance overall employee morale (Basil, Runte, Easwaramoorthy, & Barr, 2009).

As the private sector is awakening to the emergent ethic of service, the nonprofit arena struggles to maintain the motivation that attracts its employees to public service. Miech and Elder (1996) discovered in their research, conducted primarily within the public school system, that "the values that shape individuals' career decisions are not necessarily reinforced by subsequent work experience" (p. 237). To understand and reverse this trend will require that the nation's nonprofit leadership examine the power of the ethic of service and learn to leverage that power within their sector. The discussion that follows provides a context for the emergence of service as a guiding workplace ethic, suggests service learning as the method and the learning organization as a venue for leveraging the ethic, discerns the leadership style that is best suited for leading in an era of service, and concludes with suggestions for implementation.

Definition of Terms

Gaining insight on what is meant by the terms *ethic* and *service* and understanding the historical context of each, will help set the stage for the discussion that follows.

Service

The *Oxford English Dictionary* explains that the term *service,* originally associated with servitude or slavery, is the term that more recently has been applied to employment with the military or other public careers. Being "at one's service," implies being in a state of devotion to someone such as a king, a military commander, or even a lover. One of the most common uses of the term, which encompasses all others, explains service as the conduct of helping, or benefiting, the welfare or advantage of another. Service is other centered. When one operates from a perspective of service, one is happy because one is other-directed rather than self-directed; happiness is the result of service to others.

Ethic

In defining *ethic*, the *Oxford English Dictionary* cites Clifford (1879):

> The doctrine of a special kind of pleasure or displeasure which is felt by the human mind in contemplating certain courses of conduct, whereby they are felt to be right or wrong, and of a special desire to do the right things and avoid the wrong ones. ("On the Scientific Basis of Morals")

Also cited is Bentham (1789): "Ethics at large may be defined, the art of directing men's actions to the production of the greatest possible quantity of happiness" ("An Introduction to the Principles of Morals and Legislation"). Although today the term *ethic,* or *ethics,* is often seen as compliance to ethical codes and laws (Hatcher, 2002) and is the focus of many people who see themselves as ethical guardians in the corporate environment, earlier notions of the terminology were associated with gratifying human wants and needs (Sharp, 1921). When we do good, we feel good; behaving in accordance with our ethic or what we perceive to be ethical creates happiness.

Work Ethic and Consumer Ethic

It follows that exploring specific ethics that have guided workplace behavior, the *work ethic* and *consumer ethic*, may provide insight into America's pursuit of happiness. As noted in research (Lancaster & Stillman, 2003; Marston, 2007; Zemke, Raines, & Filipczak, 2000) conducted on values embraced by new generations of employees as they enter the workforce, the work ethic was a motivational driver throughout much of the 20th century. Americans became known for embracing hard work with a religious zeal that was lauded as the protestant work ethic. Doing good was equated with working hard; happiness was the result of a hard day's work.

Hard work, however, according to the same generational research (Lancaster & Stillman, 2003; Marston, 2007; Zemke et al., 2000), was replaced in the later part of the 20th century with other drivers. One of those drivers has been the consumer ethic. Work became valued not for the virtue of work itself but for what could be purchased with the wages that were provided, and if wages were not high enough, purchases were made on credit, laying claim to future wages. Work became a means to maintaining a lifestyle rather than an end in itself. The ethic governing employment shifted from production to consumption. Doing good shifted away from the work being done and was measured by what could be purchased based on the market value of the job. Happiness was attained through buying and maintaining the lifestyle associated with the brands placed not only on products but also on neighborhoods, schools, and churches. The higher the market valued one's job, the greater the buying power and the greater the happiness.

While some might see the credit crisis of the early 21st century and the collapse of many of the financial institutions that funded consumerism as the beginning of a shift away from the consumer ethic, the discussion began before the turn of the century. At the height of America's prosperity, Firat and Dholakia (1998) discerned that the self-centered nature of modern consumerism had led to "problems with alienation, anomy and oppression" (Bajde, 2006, p. 312). Studs Terkel, in his acclaimed 1972/1990 book *Working*, had a glimmer of the desperation brought on by consumerism:

> Perhaps it is this specter that most haunts working men and women: the planned obsolescence of people that is of a piece with the planned obsolescence of the things they make. Or sell. It is perhaps this fear of no longer being needed in a world of needless things that most clearly spells out the unnaturalness, the surreality of much that is called work today. (p. xxii)

The Emergent Service Ethic

In his observation of the perils of the consumer ethic, Terkel (1972/1990) knew that salvation would not come through a return to the old work ethic. He imagined a new ethic based on concern for others:

> Perhaps it is time the "work ethic" was redefined and its idea reclaimed from the banal men who invoke it. In a world of cybernetics, of an almost runaway technology, things are increasingly making things. It is for our species to go on to other matters. Human matters. (p. xxviii)

The dissatisfaction with the consumer ethic and the desire to do as Terkel suggested and go on to human matters has been documented by Hoar and Kirwan-Taylor (2004) in the annual management agenda survey of 735 employees conducted by the Roffey Park (United Kingdom) management research and training institute. The survey found that 70% of managers are looking for a greater sense of meaning. While the survey had been running for 8 years, recent responses have revealed a growing disillusionment and a desire to do something more meaningful. What was once palatable, due to the associated financial rewards, is no longer seen as tolerable.

Applebaum (1998) suggests that our dissatisfaction with our current work life is partially due to the emergence in 20th-century America of a new ethic, which can make life richer and more fulfilling. While the new ethic is envisioned, however, the older consumer ethic has not yet passed away and living in the transition has created an unresolved tension. Leach (1993) claims that the remnants of the consumer ethic are out of control and running amok, conquering everything in its path. Lansley (1994) fears that people are being haunted by vestiges of consumerism, yet at the same time, he sees that they display an array of concerns for broader issues indicating a growing consciousness of social concerns and the environment.

Similarly, Hatcher (2002) explains that today's complex business problems that arise from our diverse and complicated world, force us to examine new paradigms and further develop our transcendent nature that connects us with others. He states,

> The perspective of work as providing higher meaning or right livelihood to individuals and enhancing society moves beyond traditional ideas of work as means of production dedicated solely to enhancing individual gain or corporate profit. Rather, it recharacterizes work as a concept that the workplace is not separate from, but is interdependent with humans, society, and the environment. (pp. 51 52)

Like Hatcher, Chalofsky (2003) taps into this connection between service to others and spiritual transcendence in his discourse on an emerging construct for meaningful work. He stresses that more work should be undertaken in learning how to tap into intrinsic forms of motivation. Drawing from the Zen Buddhist belief that work and pleasure should be so aligned that they are indistinguishable one from the other, he quotes from *Artful Work: Awakening Joy, Meaning and Commitment in the Workplace*:

> More attention should be paid to our whole selves at work, to admit that some work has no meaning to us and offers no possibility of joy, to examine what work will have meaning to us and seek such work, to meet our co workers self to self, center to center, and to stop pretending that our interior lives don't matter. [Only then] will our work become more joyful [and] our organizations will flourish with commitment, passion, imagination, spirit and soul. (As cited in Chalofsky, 2003, p. 80)

Prior to Chalofsky, Senge (1990/2006) spoke of the awakening of the individual to the emerging other-centered ethic:

> Genuine commitment is always to something larger than ourselves and is guided by a sincere desire to serve the world. . . . The will of a person committed to a larger purpose is like a cry from the soul which has been shaken and awakened. (p. 171)

The work ethic gave way to the consumer ethic, which may now be giving way to an ethic based on concern for society and service to others. Whether the cry is one of pain or joy or perhaps both combined, it accompanies the birthing process.

Beyond Capitalism

As the volume and dimension of the cry have increased over recent years, scholars have clamored to understand its growing cadence and predict its impact on our economic system. Bajde's (2006) struggle to make sense of other-centered behavior as a market force may provide insight into understanding what appear to be paradoxical forces at play. He explains,

> The social sciences in general and consumer research in particular have been detrimentally hampered by the presumption of self interest as an exclusive foundation of human behavior. As a result, conduct that fails to conform to the self interest paradigm has often been ignored, or worse, grossly twisted to fit the dominant categorizations. (p. 301)

Could the outcome of an ethic of service be a reformed or revitalized version of capitalism, an economic system based on the principle of enlightened self-interest? Bajde (2006) does not believe that concern for others rules out care for oneself; in fact, he opens the way for further discussion on the possibility of an economy based on service to society as being in each member of that society's self-interest—perhaps an evolved conception of the notion of enlightened self-interest. Similarly, Thurow (1983) hints at a new economic paradigm that has its roots in previous forms:

> Societies are not merely statistical aggregations of individuals engaged in voluntary exchange but something much more sub tle and complicated. A group or community cannot be under stood if the unit of analysis is the individual taken by himself.
>
> A society is clearly something greater than the sum of its parts. (pp. 222 223)

Daly and Cobb (1994) expand on Thurow by indicating that "economics can rethink its theories from the viewpoint of person-in community and still include the truth and insight it gained when it thought in individualistic terms" (p. 8). In the same vein, Bakan (2004) does not see a conflict between self-interest and societal concern and heralds other-interest as a viable economic force. He states,

> Though individualistic self interest and consumer desires are core parts of who we are and nothing to be ashamed about, they are not all of who we are. We also feel deep ties and com mitments to one another, that we share common fates and hopes for a better world. We know that our values, capacities, aesthetics and senses of meaning and justice are, in part, cre ated and nurtured by our communal attachments. (p. 156)

Baptiste (2001) has voiced disagreement with the precepts of our economic system based on self-interest, which "treats humans as lone wolves: radically isolated hedonists, creatures of habit (not intentions) who temper their avarice with economic rationality" (p. 197). He has suggested that "maybe humans are more than fated adapters. Maybe they are capable of becoming creative transformers" (p. 197).

Daly and Cobb (1994) are trusting that humans are more than fated adapters as they sound a wake-up call:

> We humans are being led to a dead end all too literally. We are living by an ideology of death and accordingly we are destroy ing our own humanity and killing the planet. Even the one great success of the program that has governed us, the attainment of the material affluence, is now giving way to poverty. The United States is just now gaining a foretaste of the suffering that global economic policies, so enthusiastically embraced, have inflicted on hundreds of millions of others. If we continue on our present paths future generations, if there are to be any, are condemned to misery. (p. 21)

Without rejecting the fundamentals of economic theory, Daly and Cobb (1994) provide a service-based context: "The analysis of the market can continue to play an extremely important role within a context that sees the purpose of the economy as the service of the community" (p. 19).

Perhaps in response to the plea uttered by Daly and Cobb (1994), Korten (1999) describes the postcorporate world that he believes is in its infancy:

> Indeed millions of people, unsung heroes of a new era, are already hard at work constructing building blocks of a post corporate post capitalist civilization. They are demonstrating alternatives far more attractive and viable than socialism or the failed economic models of the former Soviet Union. The most promising alternatives center on applying the familiar princi ples of democratic governance and market economics to create societies that function in service to life and treat money as a facilitator, not the purpose, of our economic lives. (pp. 2 3)

Korten's (1999) vision is one of a new economy that is based on healthy markets with a core-defining purpose of serving the needs of all citizens rather than the capitalist outcome of making money for those who have money.

If the transition away from markets based on money to those based on life as described by Korten requires demarcation, the financial crisis from 2008 to 2009 may serve that purpose. Greider (2009) proclaims that the financial crisis can provide a springboard to the future. He indicates that while the pace of the social responsibility movement has been "too slow to attract much political respect, . . . the current crumbling of the old order will clear the way for more dramatic progress."

Greider (2009) lays out his vision based on living more while accumulating less:

> Here is the grand vision I suggest Americans can pursue: the right of all citizens to larger lives. Not to get richer than the next guy or necessarily to accumulate more and more stuff but the right to live life more fully and engage more expansively the elemental possibilities of human existence. That is the essence of what so many now seem to yearn for in their lives.

Greider (2009) goes on to associate the new economic order with an ethic of service. He implores,

> Can we envision an economy designed to serve society, rather than the other way around? Some will say that this is an idle daydream. I say it is our birthright, our inherited privilege. We are Americans. We get to think larger thoughts about our country and ourselves. Daydreams are the seedbed for the possible. We can argue later about how to achieve them.

Before turning to the next section of this chapter, wherein some arguments for micro-level organizational implementation are presented, the overall contribution of capitalism to humanity's ongoing development should be acknowledged. Korten (1999) says it well:

> Just as periods of disease and disability can serve as powerful moments of individual learning, the period of capitalist expansion, for all its tragedy and pain, and violence, has enriched our knowledge and awareness of the whole of the planet and its inhabitants. It has led many of us to establish bonds of friendship and affection that bridge the boundaries of culture, religion, class and geography; helped us realize that all humanity shares a common destiny inextricable linked to the living systems of the planet; and now leaves us poised to move to a new level of self aware consciousness. Perhaps in this respect, global capitalism merits appreciation for its con tribution to creating the potential and the necessity to take this next step to species maturity. (p. 280)

Service Learning

Up to this point, this chapter has provided a context for building an ethic of service by postulating that as the economic system has evolved so too has the guiding ethic for the workforce; the ethic has progressed from a work ethic to the consumer ethic and is now taking on new dimensions of what could be a new ethic that focuses on concern for others as well as concern for self. As the discussion now turns toward implementation, the chapter suggests service learning as a tool for leveraging the service ethic. A focus on learning seems appropriate as a means of accelerating the shift to a paradigm of service in that real learning, according to Senge (1990/2006), allows us to undergo the fundamental change required to transition to a new paradigm. Senge states,

> Real learning gets to the heart of what it means to be human. Through learning we re create ourselves. Through learning we become able to do something we were never able to do. Through learning we reperceive our relationship to it. Through learning we extend our capacity to create, to be part of the generative process of life. (p. 13)

In determining the learning methodology best suited to leveraging an ethic of service, service learning, due to its focus on experiential learning that is other-focused, appears to be a suitable choice. Service learning is an other-centered approach in that it focuses on what knowledge is gained by the learner and also allows those who are being served to control the service that is provided to them. Hence, the service provided is real and necessary—not just constructed for the purpose of learning (Sigmon, 1979). Perkins (as cited in Bush-Bacelis, 1998) provides one definition of service learning:

> Academic service learning is a method by which students learn and develop through active participation in thoughtfully organized experiences that meet actual community needs and are coordinated with the academic and local communities to enhance academic course work. (p. 20)

Additionally, Furco (1996) stresses,

> Service learning programs must have some academic context and be designed in such a way that ensures that both the service enhances the learning and the learning enhances the service. Unlike a field education program in which the service is per formed in addition to a student's courses, a service learning program integrates service into the course(s). (p. 5)

As an experiential approach to learning (Rice, 1994), however, certainly the exploration of service learning as applicable to the workforce in a nonacademic environment deserves consideration. Rather than integrating service into coursework, one might suggest that workforce educators consider integrating some of the intentional academic rigor that accompanies coursework into the ongoing experience of service that exists in the nonprofit workplace. Experience would become the entry point for the learner rather than something structured in as part of a classroom approach to learning. Experiential learning as an aspect of adult development was touted as early as 1926 when Lindeman (1926/1961) declared that "the resource of highest value in adult education is the learner's experience. If education is life, then life is also education. . . . Experience is the adult learner's living textbook" (pp. 6–7). Another notable authority on adult learning, Knowles (1970/1980), stated, "As people grow and develop, they accumulate an increasing reservoir of experience that becomes an increasingly rich resource for learning" (p. 44). Similarly, Kolb (1984) defined learning, as "the process whereby knowledge is created through transformation of experience" (p. 38). Jarvis (1987) went so far as to claim "all learning begins with experience" (p. 16). Fenwick (2003) said similarly, "all of learning is experience-based" (p. ix).

Building on the notion of experiential learning, Saltmarsh (1997) indicates that service learning is a part of the paradigm of what he calls *connected knowing*. Unlike *separate knowing,* which is based on the specialized knowledge of academic disciplines, connected knowing "integrates thought and action, reason and emotion, education and life," and "does not divorce people from their social and natural contexts" (Martinas cited in Saltmarsh, p. 82). An example of separate knowing that became connected knowing can be found in the research conducted by Beale, Davis, and Chisolm (2008). In their study, they reflected on a service-learning curriculum component of a finance course in which students responded to a community request to gain knowledge about the risks of subprime lending. The researchers reported it was not only that the community residents were served but also that the students were gaining organizational citizenship skills due to their involvement in a natural setting that provided a social context beyond what was available in the classroom. The students improved their technical skills through the process of providing a needed service, but it is possible that the technical skills may have been learned separately through separate knowing that is provided through classroom instruction. The knowing that was grounded in a real-world setting and connected to genuine human needs and then followed by opportunities to reflect on the experience, however, created the connected knowing that allowed the students to develop a new consciousness. While university students must leave the classroom to operate within a natural social context, the workplace provides the venue where employees are able to learn within their ongoing social environment. To fully facilitate the development of connected knowing, however, it is up to workforce educators to operate from an intentional pedagogy that allows employees to not only serve but also to grow as multidimensional human beings as they reflect on their interactions with those being served.

Academics in the field of human resource development (Turnbull & Madsen, 2004) are indeed researching the power of service learning for workforce development. In fact, the continuity of learning provided by a consistent work environment could have a positive impact on learning. Dewey (1938) indicated that if learning from experience is to happen, that continuity of experience and interaction with the environment must be involved. The traditional classroom cannot provide the same continuity of experience and interaction with the environment as the workplace, but it has provided the opportunity for the essential component of reflection-on-experience to take place. If service learning is taken seriously as an aspect of workforce development, however, reflection can intentionally be structured into the service experience. Workforce educators can and do build periods of reflection into their curriculum although significant challenges do exist. Rigg and Trehan (2008) stressed that their research illustrated "difficulties of employing critical reflection within the workplace arising from the more complex power relations between the multiple stakeholders" (p. 374).

One of the multiple stakeholders is the recipient of the service: the stakeholder within the community. Flower (2002) argues that the action side of service learning must be balanced with the reflective side, which includes a true dialogue between those serving and those being served. The resulting intercultural inquiry allows the roles to be reversed and allows the caregiver to be the one receiving care (Coogan, 2005). Two sides of the dialogue come together as colleagues who are partnering in the other's liberation. Lila Watson, an Australian Aboriginal activist is credited with having said, "If you have come to help me, you are wasting your time. But if you have come because your liberation is bound up with mine, then let us work together" (Pate, 2006). Although the actual source of this quote is hard to verify, the words represent well the goal of intercultural inquiry as one aspect of service learning.

Liberation, or empowerment, takes place when real learning occurs, and oftentimes, organizational stakeholders other than the client, the one receiving the service, are not prepared to take on the challenges presented by truly empowered employees. When reflection and action are combined, double-loop learning (Argyris & Schön, 1996), or deep learning (Senge, 1990/2006), occurs. As the skill of reflective thinking is incorporated into the learning cycle, new sensitivity and awareness develops that leads to a change in attitudes and beliefs. It is this deep learning that catapults the learner to the shift in paradigm required to act out of an ethic of service. But once the paradigm has shifted, the employee-learner is no longer content with the status quo, or business as usual, in the traditional organization run by command and control hierarchies. As a result, the organization must change, or the organization experiences a backlash brought about by either an exodus of employees or a group of disenchanted, less-than-productive organizational citizens who show up but whose commitment and passion for the organization's mission no longer motivates them to perform.

The Learning Organization as Vehicle

It follows that when leaders embrace the decision to build an ethic of service through service learning, they will be required to allow organizational transformation to occur. If the organization is to benefit from a move to an ethic of service, one must ponder whether there is potential for the learning organization to serve as a vehicle that will facilitate the integration of the service ethic into organizational life. Senge (1990/2006) defines the learning organization as

> organizations where people continually expand their capacity to create the results they truly desire, where new and expan sive patterns of thinking are nurtured, where collective aspi ration is set free, and where people are continually learning to see the whole together. (p. 3)

Watkins and Marsick (1993) define the learning organization as

> one that learns continuously and transforms itself. Learning takes place in individuals, teams, the organization and even the communities with which the organization interacts. Learning is a continuous and strategically used process inte grated with and running parallel to work. Learning results in changes in knowledge, beliefs and behaviors. Learning also enhances organizational capacity for innovation and growth. The learning organization has embedded systems to capture and share learning. (pp. 8 9)

Marquardt (2002) says quite simply, "The new learning organization is able to harness the collective genius of its people at the individual, group and systems levels" (p. 2).

Combing through the above definitions, one can conclude that service learning on the part of individuals in a learning organization could launch a complete transformation within people and systems resulting in an organization whose knowledge, belief, and behaviors are a living demonstration of the ethic of service. In its new form, the transformed organization would be as Whyte (1994) calls it, "the new organization that honors the soul and the soul of the world" (p. 296), in that it is

> as much concerned with what it serves as what it is, as much attentive to the greater world as the small world it has become, as much trying to learn from the exquisite patterns that inform that greater world as trying to impose its own pat tern on something already complete. (p. 296)

Whyte (1994) further claims that the learning organization may allow us to "join the concerns of our workplace with the concerns of our world" (p. 297). The essential link for Whyte is between what and whom we are serving at work and what and whom we are serving in the rest of our lives. It is this fundamental connection to which Senge (1990/2006), probably the best-known proponent of the learning organization, refers when he says, "through learning we reperceive the world and our relationship to it. Through learning we extend our capacity to create, to be part of the generative process of life" (p. 14).

Whyte (1994) and Senge (1990/2006) give credibility to the association between the learning organization and maximizing an ethic of service, for with service as the dominant workplace ethic, the purpose of the organization's intent must be questioned—meaning or matter? People or profit? Even at the nonprofit level, as discussed by McHargue (2003), is the organization focused on the meaning found through service or in competing with rival nonprofits for publicity and funding as well as clients? Senge (1990/2006) quotes Bill O'Brien, CEO of Hanover Insurance:

> Our grandfathers worked six days a week to earn what most of us now earn by Tuesday afternoon. The ferment in man agement will continue until we build organizations that are more consistent with man's higher aspirations beyond food, shelter and belonging. (p. 5)

The service ethic, consistent with the higher aspirations mentioned by O'Brien, although inherent within the nonprofit's mission, can get lost as management steers the organization toward the achievement of goals. Shifting the focus toward learning that can tap into employees' higher aspirations rather than simply achieving may be necessary if organizations are to transform themselves to the extent that they are able to benefit from the power of the emerging ethic.

Leadership

If the learning organization is to become the vehicle for operationalizing the service ethic, the burden of its success appears to rely on the commitment of leadership to the transformation process. "Embarking on the journey to become a learning organization is a time- and resource-intensive change process" (Ellinger, Ellinger, Yang, & Howton, 2003, pp. 168–169). But based on the evidence of research, there appears to be a payoff for implementing learning organization initiatives—the payoff is not immediate; a long-term commitment is required. Whitmore (2004) adds to the argument for investing in the long-term process. He concedes that if business leaders understood more fully the power found by exploring processes that bring meaning back into the workplace, they would be providing everything possible so that meaning could be experienced:

> They would build their business structures, ethics, products, and management style on a completely different ethos than that upon which it is currently based; businesses and the econ omy would then be in service to people rather than people being in service to businesses and the economy. (p. 8)

Senge (1990/2006) outlines three tasks for leaders of learning organizations—design, teaching, and stewardship. Designing is done primarily behind the scenes working with infrastructure and systems that allow for the organization to adapt as its people learn and grow. The leader-designer is unseen; it is those who are successful within the system who receive credit for the excellence of the design. Teaching is accomplished not through masterful lectures or rallying speeches but by facilitating learning environments that encourage risk taking and learning from mistakes. The leader-teacher shows others how to learn by exemplifying the humility of one who never knows everything and is always learning something—he or she models learning. Stewardship is seen through service. The leader-steward serves those he or she would lead; the service is always in pursuit of a larger purpose.

Senge's defining qualities of leadership are other-centered. His focus is on service. Like Senge, Denhardt and Denhardt suggest that if leadership is to guide America into an other-centered future that places value on people rather than things and emphasizes service as its guiding ethic, the leadership theory worthy of the task of transformation is that of servant leadership; leaders who are successful at organizational transformation may be required to shift their leadership paradigm from one of steering to one of serving (Denhardt & Denhardt, 2000). The concept of servant leadership is attributed to Robert Greenleaf, who believed that the leader's major concern should be for the have-nots and he or she should care for and nurture his or her followers, alleviating social inequalities and shifting power to those who are led while providing maximum opportunities to participate in community life (Northouse, 2007). Greenleaf (1996) wrote,

> The servant leader is servant first. . . . It begins with the nat ural feeling that one wants to serve, to serve *first*. . . . The best test, and the most difficult to administer, is: Do those served grow as persons? Do they, *while being served,* become health ier, wiser, freer, more autonomous, more likely themselves to become servants? *And*, what is the effect on the least privi leged in society; will they benefit or at least not be further deprived? (pp. 1 2)

The major difference between servant leadership and other leadership theories is the focus of the leader. Commitment to the organization and its objectives is the focus of many leadership theories. Hence, the leader's behavior motivates the followers toward organizational ends. The servant leader, on the other hand, focuses on the followers themselves with the achievement of organizational objectives as a secondary and subsequent outcome. "The extent to which the leader is able to shift the primary focus of leadership from the organization to the follower is the distinguishing factor" (Stone, Russell, & Patterson, 2004, p. 349). The servant leader focuses on the revolution called for by Whyte (1994), which is a personal one to be carried out through the collective courageous acts of individuals rather than an organized effort for change by the organization itself. He stated, "There is nothing more transforming to the American workplace than the thousands of daily decisions now being made that put soul life above the abstracts of organizational life" (p. 295). According to Banutu-Gomez (2004), if leaders just got out of the way and encouraged self-management in their followers, a personal and organizational transformation would occur.

This shift of attention to the follower is what Margaret Wheatley (2004) indicated is needed if hope and confidence are to be restored to the thousands of employees who have lost confidence in their leaders. She states,

> Servant leadership is not just an interesting idea, but some thing vital for the world. The concept of servant leadership must move from an interesting idea in the public imagination toward the realization that this is the only way we can go forward. (p. 16)

Moving forward may mean moving in the direction of the emerging ethic of service. This chapter has given a brief depiction of the synergy that is building among theories of the service ethic, service learning, and servant leadership, but the task that remains is to move beyond theory and highlight specific steps that nonprofit leaders can take to leverage the ethic of service in their organizations.

Summary and Future Directions

Much of what has been written in this chapter relies on known theory: service learning, the learning organization, and servant leadership. Theories have been explored as a means to the end of leveraging the ethic of service. To help leaders to bridge the gap between theory and practice, a few suggestions for implementation follow:

1. Take advantage of the power of mission. Mission is the greatest advantage resident in the nonprofit workplace for leveraging and ethic of service. Revisit the organization's mission statement. Does it tap the desire to serve that rests within all employees? Does it speak to everyone in the organization no matter what their role or position in the organization? If not, rewrite and reeducate.

2. Create stakeholder maps for everyone. Allow each employee to understand the impact of his or her job on those who are served by the organization—both internal and external to the organization. Those in administrative functions can lose sight of the mission in the day-to-day difficulties of managing finances, operations, and people, but every job performed moves the organization toward its mission. Clarify the connections between work done and end-service provided.

3. Consider job rotation that puts every employee on the front lines with the client being served. Coming face to face with the recipient of the service provides a powerful reminder of the organization's mission. If it is only one day a month that the clerical or administrative person serves on the front lines, it is still a constant reminder of why they do what they do. Create a schedule and stick with it; there will always be reasons for why there isn't enough time to let go of the office duties for a day.

4. Provide opportunities for service providers to dialogue with the recipients of the service. The end user of the service knows what works and doesn't work and can enhance the employee's ability to make an impact by including them in the loop of continuous improvement that must go on if the nonprofit is to remain viable. Those on the front lines are positioned best to improve the quality of service. By listening and asking questions, knowledge is gained that can improve overall organizational processes that are in place to support the delivery of services.

5. Build reflection time into the work routine by providing structured time for personal and group reflection and discussion. Members of groups can help one another construct meaning from the experience by sharing insights and asking questions of one another. The learning community will continue to build new knowledge and enhance each individual's learning. Personal reflection is good, but the power of feedback that is given and heard out of a stance of openness and trust will allow each individual to grow and improve in their roles.

6. Leadership should be involved with all of the above. Leadership must be visibly committed to the transformation and must be seen not only as advocates but also as active participants in the process. As they experience the pain and joy that comes from fully engaging in service, they will continue to create structures that support serving.

This chapter began with quoting David Whyte (1994):

> We have been handed an accepted work world in which the things that really matter in human life have been pushed to the margins of our culture. Much of our present struggles with our organizations have to do with remembering what is essential and placing it back in the center of our lives. (pp. 294 295)

The for-profit world is learning that providing paid time off for volunteering enhances the well-being of their workforce by paying attention to what matters—in light of an ethic of service. That source of power is resident with the ongoing work of the nonprofit workplace. Nonprofit leaders who understand the power of the service ethic will experiment with ways to tap that power source. Those who do will quite naturally have an advantage over those who do not. The ethic of service does not need to be created; it simply needs permission to grow and flourish in its natural habitat.

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95

Cross-Cultural Management and NGO Capacity Building

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This chapter outlines the necessity of integrating a cross-cultural management perspective into the management of nongovernmental organizations (NGOs) and the importance of developing leadership and organizational capacity in this kind of organization. It considers why management and leadership are important to NGOs, and particularly why a consideration of cross-cultural management is so important. It asks how cross-cultural theory might address practical NGO management and leadership issues, focusing first on the different levels of cross-cultural interaction and how we might understand cultural differences. In particular, it highlights the importance of the way human beings in organizations are valued differently in Western and non-Western cultures, explaining why uncritically exporting the concept of human resource management (HRM) from the private sector or public administration to the nonprofit sector is inappropriate both in many developed countries and in developing countries. The example of NGO management and leadership in Africa is used to illustrate this point. The chapter discusses the hybridization (i.e., cross-fertilization of ideas and practices from Western and non-Western countries or from the private sector and public administration) of organizations and management through cross-cultural interactions and why this process is so important to building NGO capacity. Here, the discussion mainly addresses NGO managers as leaders, tending to use the term interchangeably but distinguishing between these terms in the text as appropriate. While we primarily focus on Africa to illustrate our point, much of what we say might also be useful in NGOs working, for example, with minority groups in the United States or other developed and developing countries.

Management and Leadership

The idea of managing NGOs has only recently come to the attention of practitioners and academics. Academics in the field of development studies who have shown an increasing interest in analyzing NGO management have often been ill equipped for the task. Opinions among people working in NGOs seem to run from complete dislike of anything to do with managerialism to the uncritical acceptance of Western management and leadership principles. Lewis (2007) shows that techniques and principles such as strategic planning that were being ditched by commercial-sector managers during the 1990s were happily being adopted by NGOs as quick fixes. In addition, it seems that some development academics (including Lewis, 2007) have discovered Hofstede's (2001) theory, which has dominated cross-cultural management studies, just at a time when it is being heavily criticized by the international management academic community.

So why should the development community be more aware of current issues and competencies in management studies, and why should NGOs be developing management and leadership capacity? As Jackson (2004) argued, "good organizational management is essential for the well being of human kind. . . . Effectively managing resources would seem a logical way of alleviating human hardship and poverty, and ensuring the welfare and dignity of all people" (p. xi).

Yet to develop successful international and indigenous NGOs, their global and multicultural operating contexts must be a central consideration if capacity building and organizational impact are to be successful and appropriate.

Why a Cross-Cultural Approach?

Despite the fact that the daily work of many NGOs involves working across cultures (not only in Africa but also in multicultural societies like the United States or the United Kingdom), the growing literature on NGO management rarely mentions the word *culture*. Where culture or a cross-cultural perspective is discussed, it is seen as an additional factor that should be considered rather than an integral part of our understanding of NGO capacity building (such as in the otherwise useful introduction to NGO management of Lewis, 2007). Few organizations operating in the modern globalized world can remain untouched by cross-cultural considerations.

When NGOs claim that their comparative advantage is in their closeness to the people, local responsiveness, social focus, and cultural sensitivity to peoples' needs and the appropriateness of interventions, it is difficult to argue that cross-cultural perspectives are not central to NGO management and leadership. For example,

- the way knowledge, technology, and best practices are transferred from one country to another may be problematic without considering the cross cultural implications;
- the way change should be managed in hierarchical, uncertainty avoiding, or communalist cultures may be substantially different from Western textbook methods;
- appropriate styles and methods of leadership may differ substantially from one culture to another;
- Western style participatory decision making processes developed in individualistic cultures may be entirely inappropriate in community based cultures; and
- concepts of ethics differ substantially across cultures including values relating to people, relationships, exclusion, gender, and power and cross cultural sensitivities as well as principles and mechanisms to manage these differences need to be developed. These aspects may have consequences for the way NGOs import foreign management principles (e.g., staff selection methods) as well as the way organizational and project impact is assessed.

How Can Cross-Cultural Theory Address Practical Issues of NGO Management and Leadership?

The recent discovery of cross-cultural management theories, particularly those of Geert Hofstede (2001), by the academics and the development community in general and those addressing NGO management in particular (e.g., Lewis, 2007), has not helped in addressing many of the issues. They only highlighted some of the problems. For example, such theories rarely address issues of leadership across cultures and neglect many cross-cultural dynamics, including power relations and processes of how hybrid forms of organization develop. It is important to understand how these dynamics affect various ways of leading nonprofit organizations working with minorities in the United States or working in the context of sub-Saharan Africa. More important now is to ask the question, How can this be used now to contribute to successful and appropriate leadership capacity building for NGOs operating in a context where different cultures and subcultures interact?

The first stage is to consider the complexity and dynamics of cross-cultural influences on NGO leadership capacity building. This involves understanding the different levels of cross-cultural interaction, and the dynamics of cultural crossvergence and organizational hybridization.

Levels of Cross-Cultural Interaction

Levels of cross-cultural interaction can be understood as follows:

Intercontinental level focuses on the dynamics of interaction of Western and indigenous cultures and leadership styles. The appropriateness of leadership principles and the transfer of knowledge surfaces when considering this level. Hybridization takes place through historical and current foreign and indigenous influences with the potential of developing ways of leadership that are highly adaptive to their environments.

Cross border level focuses on interaction between countries (e.g., between the United States and Mexico or between African countries). In the case of Africa, this interaction was discouraged under colonial rule and is now becoming more important in economic cooperation within regional associations, particularly for the commercial sector. Northern-southern NGO interaction may undermine cross-border interaction and cross-fertilization of ideas and technologies and can support the argument that such relationships perpetuate former relationships between colonizer and colonized. A consideration of cultural differences and similarities is important at this level of analysis.

Interethnic level focuses on day-to-day issues of conflict, harmony, and power relations among ethnic groups as well as raises questions in Africa of the virtual and political nature of ethnic groupings and, for example, the extent to which tribes were colonial creations.

These three levels of cross-cultural interaction affect all development of NGOs. Northern NGOs import assumptions and methods to developing regions. Southern NGOs often have dependency relations with the North and adopt these imported assumptions uncritically. Cross-fertilization of ideas and technologies are important across borders in the South, and cross-cultural differences should be taken into account at the cross-border level. Finally, interethnic interactions are often prominent within southern NGOs (where they are not, exclusion may be taking place where employees are recruited predominantly from one ethnic group), and often with and among local clients. All this has profound implications for managers and leaders operating in NGOs in the context of developing countries and equally so for NGOs working with minorities in the United States or other countries.

Understanding Cross-Cultural Differences

For NGOs working, for instance, with minority groups in the United States, interethnic considerations might be more important, while for developing countries, differences appear to be most fundamental at the intercontinental level. Both levels should be considered when looking at the transferability of leadership principles. Of primary importance in understanding these cross-cultural differences between Western and non-Western cultures is the concept of *locus of human value.* Although this concept seeks to assess the appropriateness of people management approaches, it is also useful for understanding differences in approaches to leadership between, for example, Africa and the West.

Western management (American, French, Scandinavian, etc.) encompasses many different approaches to managing people and organizations. Culturally, these approaches appear to be linked by an *instrumental* view of people in organizations as a means to an end. This distinguishes them from non-Western views that see people as an end in themselves. Concepts such as viewing human beings as *resources* reflect the Western view.

The predominance of the phrase *human resource man agement* throughout the world, including within the NGO sector, reflects the (uncritical) influence of this view although, for example, the term *people management* is only now gaining currency in South Africa. In cultures that stress the value of persons in themselves (and often as part of a wider social collective), imposing a perception of persons as having a value only in what they can do for the organization (a resource)—rather than valuing them for who and what they are—runs contrary to many non-Western cultural value systems. It is no wonder that many interviewees in Africa explained that when they went in to work in the morning, they were stepping outside their culture and when going home at night, they were stepping back into it.

There is a danger that the NGO sector is adopting the idea of human beings as a resource quite uncritically and culturally insensitively. This may well be in line with their humanitarian mission (the task and results on which they are focused causing them to see staff as a means to achieving this), but may well be at odds with their humanitarian values—which logically should also apply to their staff.

The project detailed in *Management and Change in Africa* (Jackson, 2004) identified locus of human value as an important factor in understanding the different management systems in Africa, their appropriateness, and how they often combine in hybrid forms in individual organizations. We now focus on those different forms of management and explain their significance to understanding the cross-cultural context of managing NGOs.

How Can NGO Leadership Be Understood in the Cross-Cultural Context of Developing Regions?

Appropriate leadership varies across nations and continents. NGO managers cannot just "pick up" a technique or a principle from a textbook and apply it anywhere. What may look like a quick fix may be entirely inappropriate, particularly within a southern context, as we saw with the concept of HRM above. Therefore, the first step is to understand the different management systems and the associated assumptions on leadership operating within the South. During the above-mentioned research project, the following were identified as *ideal types* (in the Weberian sense) in sub-Saharan Africa.

"Postcolonial" Management

When management academics look at management in developing countries, they see and describe *postcolonial* management and leadership systems without identifying these as such: hierarchical, centralized, authoritarian or at best paternalist, rule bound, lacking in flexibility, distrustful of employees. Management in developing countries is thus seen in this pejorative sense. The obvious solution within this *developing developed* world paradigm is to move toward a Western approach: results and market focused, leadership often consultative and participative, and task and people focus balanced using a *contingency* approach. Multinational corporations as well as agencies such as the World Bank and International Monetary Fund (IMF) are urging this movement. This uptake of Western principles also applies to NGOs operating in developing countries. Yet this represents a similar dynamic to that which created postcolonial systems.

Dia (1996), among others, puts forward the disconnect thesis: Institutions were imposed on communities during the colonial era. This gave rise to the systems of management and control that have continued to be seen as "African"—because, after all, African chiefs were dictatorial, authoritarian, and nonconsultative, weren't they? Yet these postcolonial systems continue to actually alienate African employees.

So, are so-called Western (or more accurately Anglo-American) management systems any more appropriate in Africa and other developing regions?

Western or "Postinstrumental" Management

It is difficult to argue that mature, modern HRM systems in Western countries reflect a *hard instrumentalism*, which overly emphasizes people as being mere resources. These modern systems have adopted a *softer form of instrumentalism* by incorporating the contingency principle that uses task- and people-focused approaches. However, there is evidence to suggest that where Western HRM methods have been adopted in emerging economies, such as the former Soviet countries, they have taken the harder forms. This is also evident in Africa. Participation and empowerment are part of the discourse of contingency instrumental approaches rather than part of a humanist approach that values people as ends in themselves.

In the commercial sector in countries such as South Africa, they are often being used on a tactical basis at an operational level of the organization (where the objective and task are provided to a work team that can then implement the decision in any way it wishes within budgetary and other constraints) leaving strategic decision-making processes within the sphere of the organization's (often-foreign) elite, and without reference to a wider stakeholder base.

Humanist ("African Renaissance") Management

Humanist approaches to management are being articulated within Africa. This is particularly manifest in South Africa through the concept of *ubuntu,* from a Xhosa (one of the local South African languages) saying that means "people are only people through other people." A number of public and commercial-sector organizations have implemented management development programs based on these principles that seek to capture indigenous African values.

It would be wrong, however, to suggest that this approach has had a tremendous and profound effect on management and approaches to leadership in South Africa. Yet it serves as an ideal, and may well represent an approach that is more in line with African employees' values of a person and a humanist locus of human value. However, evidence from other organizations in countries that have not necessarily come into contact with ubuntu principles from South Africa are attempting to reintroduce African values. Consider, from a group interview with key managers in Afriland First Bank in Cameroon, the following quote on indigenous approaches to leadership (Jackson, 2004):

> In our traditional culture it isn't the chief who makes the deci sion. Every stone is turned, by bringing people together. With individual decision making there is a chance that you will make a mistake. So decisions are taken at the group level. We are like an African family that is trying to ensure our stability for the longer period. But in our family the chief cannot always see that he is doing wrong. . . . In the north of the country you have isolated big trees in savannah areas. So people gather around the tree. They solve community matters, preventing small problems becoming destructive. This is the model here. Every month people gather without consideration of rank, to discuss internal matters. There is no general manager present. We look at good news. We discuss things that are not right. We ask people what they think and to decide upon the issue in respect to their individual operating unit. (p. 227)

Leadership Approaches and NGOs

Although there is a growing literature on how NGOs should be managed (often within a Western framework), there has been little research undertaken on the role of NGO leaders and how NGOs are actually managed. There is isolated evidence that postcolonial systems may be a feature in some southern NGOs or that Western approaches may nowadays be used uncritically. When reviewing the available literature on leadership in nonprofit organizations, Hailey (2006) discerned four types of NGO leaders: paternalist, activist, managerialist, and catalytic leaders. Paternalist leaders, he argues, typically demonstrate a patriarchal or matriarchal style of leadership, which is often rooted in relationships of kin. While this closeness may result in greater loyalty of the employees toward their manager, to outsiders, this type of leadership may seem rather autocratic and top-down. We can relate this type of leadership quite easily to the ideal type of postcolonial management outlined above. Activist leaders, Hailey continues, are highly motivated, often charismatic, leaders and typically focus actively on a single issue like advocacy or lobbying work. Although their managerial and organizational skills are not always the most effective, through their charisma, they often have the ability to instill motivation in their employees. In contrast, managerialist leaders seem to score higher where activist leaders score lower. As Hailey argues, they typically demonstrate an instrumental ability to manage organizations and can effectively establish reliable systems and appropriate structures as well as manage a diverse workforce. Catalytic leaders, Hailey finally argues, in their capacity as effective networkers demonstrate an ability to take a longer-term strategic and holistic approach to managing organizations effectively. They have the ability to promote and implement change. Their success as change agents rests on their ability to delegate work well, to build and maintain relationships with the various stakeholders, and to balance tough decisions—for example, strategic priorities with the values and identity their organization wants to carry out.

Similarly, some researchers make reference to the fact that NGOs need to relate to their local clientele in a way that reflects local values and practices but say little on the way that internal management reflects humanist and communalist values. It is more likely that NGOs, just like organizations in other sectors, have got to adapt and develop hybrid organizations that are effective within the context in which they operate. This aspect is considered next.

Why Are Cultural Crossvergence and Hybridization Important to NGO Management?

Although the three ideal type systems are unlikely to be found in Africa (or other developing regions) in any pure form, they represent historical and current cultural influences on modern-day management and leadership practices in various hybrid forms of organization across sectors. There may be other systems. For example, Japanese management may be seen as an alternative to Western principles. Rather, these ideal types are used as a device, or metaphor, to conceptualize and analyze the different influences on management in Africa. They are seen as content components in the process of cultural cross-fertilization and hybridization of management systems and approaches to leadership.

There is a tendency in the international management literature either to accept the *convergence* thesis that, due to globalization, cultures are coming together—often through the economic power and hegemony of American influence—or the *divergence* thesis that (national) cultures—although changing—remain essentially different from each other and that these differences should be taken into consideration when managing across cultures. A third thesis is becoming more current: *crossvergence*. This suggests that through different cultural influences, hybrid forms of management and leadership are developing, with some highly suitable to their operating environment, with some less suitable. This has been increasingly studied in Hong Kong; it has also been used to develop systems of people management such as in the case of Indian HRD, which brings together Western and Indian influences.

However, these theories do tend to miss out on the importance of power and ideology in the development of hybrid forms. For example, the power of development agencies and donors and the influence of Western management textbooks and courses undoubtedly have a substantial impact on the type of hybrid management forms operating within development NGOs. Yet Western management and leadership principles should not be immediately dismissed. It may also be a fact of life that African organizations cannot simply go back to supposed management methods that existed before colonial times. History perhaps cannot be defied. However, the process of hybridization can be managed. The complexities of the operating environment can be understood and redefined. Different stakeholders' inputs can be facilitated. Appropriate leadership can be developed. Motivation and commitment can be attuned to local conditions. And multiculturalism and multiple influences of culture can be used as an advantage, not a disadvantage.

International and indigenous NGO capacity building should be grounded in solid empirical research, which itself should be based on cross-cultural principles. No organization on the globe today can ignore cross-cultural management issues. Development NGOs are no exception to this. Cross-cultural management is absolutely central to their raison d'être, and to their own sustainable development. We now look at the processes involved in this.

How Can Leadership Capacity Be Built Through Cross-Cultural Management?

We now focus on the way NGO capacity may be built effectively and appropriately through cross-cultural management. Drawing on the concept of cultural crossvergence, we can discuss how the process of hybridization might be managed to develop organizations that are highly adaptive to their environments. Crossvergence draws on the findings of the research project detailed in the book by its name, *Management and Change in Africa: A Cross Cultural Perspective* (Jackson, 2004), and looks at the importance of developing capacity in the following areas:

- Managing complexity and uncertainty in the development context
- Managing decision making processes through multiple stakeholders
- Using appropriate leadership and management styles
- Motivating and rewarding managers
- Gaining employee commitment through work attitudes and organizational climate
- Managing multiculturalism and developing managers

Box 95.1 outlines the main findings from the above-mentioned project that surveyed managers in 15 sub-Saharan countries from the commercial, public, and third sectors and that focused on specific organizations in South Africa, Cameroon, Nigeria, and Kenya. These findings are now discussed in relation to development NGOs and how capacity might be built.

Box 95.1 Management and Change in Africa—Key Results

Managing Complexity and Uncertainty in the African Environment

The way the operating environment is seen in terms of constraints and opportunities is important to successful and appropriate organizational management.

Understanding how perceptions of uncertainty and ambiguity are culturally formulated is important to how managers act toward the operating environment.

An ability to "capture" the wider societal collectivism, humanism, and entrepreneurial flair in Africa may all be key to organizational success.

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The capability to develop cultural synergies and include different and wider stakeholders is a prerequisite to making appropriate decisions—through a more thorough understanding of the operating environment—helping to reduce uncertainty and including multiple stakeholders.

Managing Decision Making

Understanding the influences of cultural differences on decision making and managing different value systems is important in developing decision processes and in transferring knowledge and decision systems from other cultures.

As above, effective and appropriate decision making should be based on the inclusion of a wider stakeholder base, and some organizations are beginning to recognize this in part.

However, current participatory and empowerment management, transferred from Western systems, is gaining in importance in Africa but is mostly "tactical" at the implementation level and based on contingency principles, leaving strategic decisions to top management—and often by foreign boards, with little or no wider stakeholder involvement.

Using Appropriate Leadership and Management Styles

There are a variety of hybrid management systems operating in Africa, some highly adaptive to the operating environment—and successful—some maladaptive.

These can be described by reference to three "ideal type" management systems: *postcolonial* (based on coercive leadership and alienative involvement), *postinstrumental* (based on remunerative reward and contractual involvement), and *African renaissance* (based on normative leadership and moral involvement).

African management systems appear currently to be predominantly *results* and *control* oriented (postinstrumental and postcolonial), with some country differences: Democratic Republic of Congo is more *control* oriented; Mozambique and Rwanda are more *people* (normative) oriented.

There is a general desire among managers to be more *people* and *results* oriented (particularly Burkina Faso and Botswana); but *people* orientation is not reflected in managers' projections of the future of their organizations, whereas a higher emphasis on *results* is.

Motivating and Rewarding Managers

Locus of control, the extent to which managers perceive that events can be controlled by them (internal locus) or are outside their control (external locus), has implications for motivational systems, such as results-driven reward systems. Generally, this was found to be moderately "internal" (contrary to general assumptions)—with managers in Botswana, Ghana, Republic of South Africa (RSA), and Zambia more internal than in other countries and among cultural groups within RSA more differences than in other countries.

Security needs, which affect the "hygiene" nature in motivational systems of a steady and secure job appear to be higher in Kenya, Ghana, and Zambia and lower in RSA, Botswana, and Zimbabwe.

Managers generally report a preference to work as part of a team, but they see this tendency as being lower in others.

Work centrality is generally low: Family and life outside work is more important.

Gaining Employee Commitment: Work Attitudes and Organizational Climate

Humanist and communalist attitudes are prominent.

There is a need for stability, and employees have expectations of loyalty from their employer.

Employees report a moderately high loyalty to the organization yet a moderately low work centrality.

There is a separation between home-community life and work life.

Reported levels of coercive control (postcolonial management systems) seem too high.

Employees appear to be team workers.

Managing Multiculturalism: Developing Managers

Difference in learning styles may suggest that Anglo-Saxon teaching methods with a focus on process may be inappropriate.

Also questioned is the appropriateness of the "organizational learning" concept that is being introduced into organizations in Africa with very little thought.

Consideration of the points above indicate management development and organizational capacity building should include the following areas: understanding constraints and uncertainty, accommodating interests of multiple stakeholders, developing decision processes that give voice to those interests, motivating and gaining commitment by reconciling home-community and work life, assessing appropriateness of management principles and practices, and managing multiculturalism and cross-cultural development.

SOURCE: From Jackson, T. (2003). *Cross-Cultural Management and NGO Capacity Building: How Can Capacity Be Built Through Cross-Cultural Management?* (Intrac Praxis Note 2), available online at www.intrac.org/resources.php?action=resource&id=111.

Managing Complexity and Uncertainty

The context of developing countries is often uncertain, risky, and complex. Add to this the overall operating context of NGOs whose management has

> to balance the needs of local communities, with complex financial and operational considerations, and the demands of government and aid donors' and . . . face the challenge of working with some of the most vulnerable and disadvantaged people in the world today in a range of projects. (Hailey, 2002, p. 2)

Now, one has an idea of the scale of challenge for NGOs operating in developing regions, such as sub-Saharan Africa. Compounding this complexity and uncertainty is the mission of most NGOs to make fundamental changes to the way things are. Yet the way the context is perceived may be culturally influenced and shaped by power relations; the way that uncertainty is perceived has been shown to be influenced by culture; and the way that change is managed in the West may be entirely inappropriate in cultures that are more hierarchical and uncertainty avoiding.

Perception of Constraints and Opportunities

Some authors have argued that some bodies, including the World Bank, have interests entrenched in an African crisis; their importance, the resources they command, perhaps even their very existence, depend on a perceived need to rescue Africa from disaster. We might extend this to include the African elite who might have a vested interest in an Africa crisis. This is not to pour scorn on the work of agencies and NGOs but to prompt NGO managers to make a proper assessment of the way constraints and opportunities are seen in relation to their work. The interviews conducted with managers in Africa over a broad range of sectors indicated large variation among organizations in the degree to which managers saw opportunities positively, made a realistic assessment of constraints, and developed strategies for overcoming constraints.

Perception of Uncertainty and Ambiguity, and the Management of Change

Two factors, which vary across cultures, especially appear to influence the perception of uncertainty and ambiguity and therefore the way that change can be managed in a complex environment, such as sub-Saharan Africa.

Uncertainty Avoidance

There is some evidence that African cultural groups are less tolerant of uncertainty than, for example, white settler groups in South Africa. Change management processes that seek to empower lower-level staff members to take ownership of change may only worsen the perception of uncertainty and may be seen as the "boss not managing" in a culture that is more hierarchical.

Locus of Control

There is evidence that African groups may have a perception of not being able to control external events (compared with Western groups who appear to have a higher internal locus of control). This factor, which concerns the way people act toward their environment should be taken into account when NGO leaders seek to develop methods of managing change in the organization. In times of adversity, for example, this external locus of control manifests itself in the perception of NGO staff and managers that many outcomes are beyond their personal control.

Managing Decision-Making Processes Through Multiple Stakeholders

One way in which uncertainty may be effectively managed within a change process is through the inclusion of multiple stakeholders in the decision-making process. Evidence in Africa (Jackson, 2004) suggests that a wide stakeholder base is important to managing in an uncertain and complex context and indeed to organizational performance and impact. This is no less important in the NGO sector (see Edwards, 2002, on NGOs in South Asia). Yet while some enlightened (commercial) organizations are tempted to involve a wider stakeholder group, most organizations appear to be introducing more participative, empowering approaches purely on a tactical basis and not involving wider stakeholder groups in strategic decision making. Strategic decisions, often made at head offices, may not be appropriate to the needs of the wider stakeholder base and may not enable organizations to effectively adapt to and manage their operating environment. Hailey (2001) suggests how the formulaic approaches to participation in the work of NGOs may be not only culturally inappropriate but also culturally more ominous as part of the agenda of donor agencies. He describes approaches of community networking within a wide stakeholder base that may be more appropriate in south Asia.

There is therefore a need to look at participation in the decision-making process in terms of both the cultural context (what type of participation is culturally appropriate and why?) and in terms of the power relations between, for example, northern and southern NGOs, or donor agencies and development NGOs. It is likely, certainly in the contexts of sub-Saharan African countries, that wider stakeholder involvement in decision-making processes is both more appropriate in the communalist oriented cultures, and more effective in making appropriate organizational decisions for sustainable development and capacity building.

Using Appropriate Leadership and Management Styles

Previously we discussed the different ideal type management systems operating in Africa as well as other developing regions:

- *Postcolonial* systems are based on coercive leadership and alienative involvement of employees.
- *Postinstrumental* systems are based on remunerative reward, where leadership is task and results driven and staff has a contractual involvement with the organization.
- *African renaissance (humanist)* systems are based on normative, often value driven leadership, and moral involvement of people within the organization.

Lewis (2007) appears to align coercive-alienative leadership with public-sector management, remunerative-contractual leadership with commercial-sector management, and normative-moral leadership with NGO management. Although this may have a ring of logic, it may be altogether too simplistic. Evidence from the Management and Change in Africa project suggests that organizations across sectors still retain strong elements of coercive leadership yet also have a results focus (for *control* and *results* orientation, see Box 95.1). Yet they have a low *people* (or normative) orientation with a desire, as indicated by a survey of managers, for a stronger *people* as well as *results* focus.

Organizations in sub-Saharan Africa (and other developing regions) across sectors are developing numerous hybrid management systems. There are tremendous pressures, from multinational organizations on local subsidiary organizations and from World Bank and IMF on public-sector organizations and on donor agencies on NGOs, to adopt more Western approaches and hence more instrumental focus where leadership employs a contingency approach, balancing between task focus and tactical participatory focuses. Western management education and textbooks reinforce these pressures. NGOs, like public and private-sector organizations, must be mindful of the appropriateness of leadership styles and methods and, in particular, to be aware of the cultural embeddedness of leadership and management styles that have implications, among other aspects, for management and staff motivation.

Motivating and Rewarding Managers

There may be a temptation to downplay the role of motivating and rewarding managers in NGOs. Such managers may be seen to be motivated by higher ideals, such as contributing to social change. Yet as Fowler (2002) points out, this attitude may well be changing, as NGOs became more businesslike and market-driven during the 1990s, the sector enlarged, and the need increased for good managers and staff from other NGOs and from donor agencies. There are increasing market-driven pressures to focus more on the way managers are motivated and rewarded. There may also be movement of managers from one sector to another. Commercial managers from the private sector may need attracting. Poaching from the public sector may also be a factor. NGOs appear to be less immune from motivational and reward considerations. Factors that appear to play a part in considering this (from evidence in Africa) are the following:

- Locus of control plays a part in the extent to which reward systems should be results driven, as this may influence the extent to which managers feel they can control outside events and to achieve the results they are targeted on. This aspect seems to vary across sub Saharan countries (Box 95.1).
- Security needs appear to be important. A job that motivates through higher ideals may be no good if it cannot guarantee ongoing and secure employment.
- Feeling part of a team appears to be important rather than being motivated and rewarded as an individual (as is often the emphasis in Western reward systems).
- Work centrality appears to be generally low in Africa. This may be because of the community and family emphasis in many developing countries. This may be a particularly important factor in motivating managers in NGOs, where there is a need to have a closer integration of community and NGO.

Gaining Employee Commitment Through Work Attitudes and Organizational Climate

Staff commitment is another area that appears to have been neglected in the literature, and has not been approached from a cross-cultural perspective. This is surprising in view of the often large staffs of many development NGOs, often working within different cultural contexts. When staff commitment is treated in the literature, it is often linked with the question of participation (i.e., high levels of participation are related to high staff morale and commitment). Yet lack of hierarchy, structure, and a perceived authority may actually militate against employee morale and commitment.

Results from interviews in South Africa, Cameroon, Nigeria, and Kenya for the Management and Change in Africa project, suggest that

- communalist and humanist leadership attitudes are important within organizations across sectors;
- employees expect both stability in their jobs and loyalty from their employers;
- work is by no means central in people's lives, yet there is still a moderately high level of loyalty shown to the organization (which may be dependent on loyalty being shown to the employee);
- employees appear to be team players rather than individualists; yet
- these aspects appear not to be fully realized as there seems to be a separation between home community life and the world of work and also a perception by employees that levels of control are too high.

The extent to which Western principles of participation and individual incentives are appropriate must be questioned. NGO leaders may find that building loyalty may be more usefully seen as a longer-term reciprocal process of joint loyalty building through stability in employment, integration of community and work life in both attitudinal forms, for example, by adopting a more communalistic or humanistic leadership attitude, and actual reciprocal involvement of community and organization and focus on incentives for teams.

Again, as an approach to leadership, participation could more usefully be seen as including a range of stakeholders, including those within the community. Yet the above does not rule out more paternalistic ways of managing or more authoritarian and hierarchical organizational structures and processes. However this is in common with the areas discussed above, an important area for future research.

Managing Multiculturalism and Developing NGO Leaders

Management training and development in a multicultural context (involving the three levels of cross-cultural dynamics, i.e., intercontinental, cross-border, and interethnic discussed above) involves both *process* (how do we do it?) and *content* (what do we do?). Process can further be considered in terms of individual learning and organizational leaning.

Learning as a concept varies across cultures—so much so that the Anglo-Saxon notion of learning is difficult to translate even into other European languages. Such a concept is learner centered and process focused. The emphasis is on process, or how to learn, rather than on the content, or what you know. Many other non-Anglo-Saxon approaches to teaching are content focused, such as the French approach. This also seems to be the case in many African cultures with an emphasis on observation and an oral tradition of knowledge transmission and memorization. Lecture methods may be far more appropriate for individual learning than workshop methods, for example. Furthermore, knowledge is highly respected, highly valued, and almost feared where the learner becomes dependent on the trainer as a source of knowledge and wisdom. The idea of the *independent learner* does not appear to be appropriate.

The Anglo-Saxon concept of the *learning organization* may also be inappropriate in a developing country context. First, it relies heavily on the idea of experiential learning and learning as a process, which may be at variance to, for example, African notions. Second, it relies on the perception of organizations as *open systems* that pursue the executive goals of the organization, are instrumental, and use learning to fulfill executive goals. This also touches on the discussion above about the narrowly defined and tactical nature of participation. To be successful, organizational learning for NGOs working in developing countries should be more inclusive of a wider stakeholder base. At both the individual and organizational levels, management learning and development should include the following aspects that have been discussed above:

- Awareness among the management team of the broader operating constraints (political, economic, legislative, social, and cultural) within a complex operating environment and how these may be turned into opportunities
- Incorporation of the interests of multiple stakeholders including employees and their representatives, managers, community, government, suppliers, and clients as well as donor agencies in its strategic objectives
- Development of real and effective internal means for incorporating the perceptions, expectations, strengths, and interests of stakeholders and different cultural and gender groups in the decision making process and the management of change through active and wider (rather than simply tactical) participation
- Obtaining commitment and motivation by developing understanding of the relationship between community family life and work life and the way this relationship is differently perceived by different cultural perspectives
- Maintenance of a high level of awareness of the contributing factors to the way the organization is managed through principles, policies, and practices and their appropriateness to the sociocultural contexts within which the organization operates
- Conscious management of the dynamics of multiculturalism in order to develop strengths and synergies from these, including the management of equal opportunities of individuals from different ethnic and gender groups to influence the direction of the organization

Many of these aspects of management and leadership development and organizational capacity building involve a consideration of the transfer of knowledge and best practices from one organization to the other and from one culture to another. This involves issues of management and organizational learning, of the nature of leadership and decision making, and of the way that change is managed as well as ethical issues involved in decision making and the adoption of management practices (see Box 95.2).

Box 95.2 Developing Cross-Cultural Leadership Skills in Practice: Cultivating Cultural Intelligence

We discuss here some ways in which one might put the theoretical insights outlined above to practice. We use the concept of *cultural intelligence* (drawn here mainly from Thomas et al., 2008) to highlight how this might be done. In essence, cultural intelligence comes down to the ability to interact effectively with people from different cultural backgrounds. This includes ways of managing and leading effectively across cultures. We discuss here three aspects of cultural intelligence that students aspiring to lead NGOs in multicultural environments might benefit from: cultural knowledge, mindfulness, and cross-cultural skills.

Developing Cultural Knowledge

This refers to developing an understanding of what makes people from other cultures both different and similar to us. It refers both to understanding the content (e.g., knowledge about one's own and other cultures) and process (e.g., knowing that people's behavior is influenced by their cultural norms and values). In practice, this means that understanding other cultures also involves understanding one's own culture. Therefore, it is important that we also know who we are and where we come from (i.e., what shapes our *own* cultural values, attitudes, and behaviors). This requires people to be willing to look themselves in the mirror and question if what they do and how they do it is the *only right* way of doing things. For example, to use a simple analogy, opening a document in the Microsoft Word software program can be done by clicking on the file one wishes to open in the "My Documents" folder. The same document, however, can also be opened from within Microsoft Word by clicking on *Open* in the *File* tab. Is one way "better" than the other? No, both produce the same end result. Thus, acquiring cultural knowledge involves learning from specific experiences of dealing with people from different cultures and is the result of reflection on one's own behavior and the behavior of others. Understanding differences and similarities (both in terms of content and process) is a first step toward culturally sensitive leadership.

Mindfulness

Mindfulness refers to an active awareness of the differences and similarities among cultures and processes and forms the link between cultural knowledge (discussed above) and action (which we will discuss in the next section). If we are mindful of what we know about, for instance, a Hispanic subculture, then this can help us to act or lead in a more culturally sensitive way. Therefore, mindfulness includes being aware of our own assumptions, norms, and values and of the ways in which *we perceive* other cultures. It also relates to understanding others not only by focusing on what we see but also by understanding the context (i.e., the values and norms shaping their behavior). This requires an open mind and empathy toward others by trying to put ourselves in other persons' shoes in order to better understand the situation and the ways in which they act. Therefore, mindfulness is both an awareness of the differences that may divide us and the similarities that may bring us closer together, and it is a way of putting that knowledge to action in a culturally sensitive way.

Developing Cross-Cultural Leadership Skills

Developing cross-cultural intelligence implies learning from specific cross-cultural experiences. This means paying attention to what makes leadership practices across cultures different and similar. Two important dimensions of leadership that may differ across cultures are a focus on the task at hand (getting things done) and a focus on relationships (getting on with people). Developing cross-cultural leadership skills that balance both dimensions requires a certain amount of open-mindedness, flexibility, and empathy toward other ways of leading (nonprofit) organizations. However, if we wish to be good cross-cultural leaders, we need also to be able to adapt our style of leadership based on what we have learned about and from other cultures. This means we need to be able to integrate cultural knowledge and mindfulness to develop new attitudes and behaviors that balance tasks and relationships differently. This does not necessarily mean we need to adapt completely to other cultures. Cross-cultural leadership is not about forgetting our own culture but about learning how to make best use of the differences and similarities that may exist to achieve the organizational goals. It is about finding the right balance between a focus on tasks and relationships. As we discussed earlier, this implies developing hybrid ways of leading organizations that incorporate elements from different cultures to produce new approaches to leadership that might be more appropriate when we operate in a multicultural environment.

As the above shows, cross-cultural leadership involves understanding what makes us different and similar and using this diversity to the advantage of the organization. Reflecting on our own culture and the cultures of others as a way to develop cross-cultural intelligence is central to this.

Summary

In this chapter, we argued that in the context of developing countries, management and leadership of NGOs cannot but take cross-cultural issues into account (the same can be said about NGOs dealing with minorities in the United States or other developed countries). As NGO leaders and managers operate in an environment in which people from different continents, cultures, and ethnicities are required to work together in order to achieve the goals the NGO has set for itself, they need to be not only aware of cultural differences, but also, more importantly, able to manage and lead the organization in effective and culturally appropriate ways.

We argued that management and leadership in Africa can be understood by using three ideal types to describe the different ways in which organizations are organized. Postcolonial systems are based on coercive leadership and tend to alienate employees. Postinstrumental systems are based on remunerative reward, where leadership is task and result driven, and staff has a contractual involvement with the organization. It tends to have a flatter hierarchy than we find in postcolonial systems and tends to be more open to participative leadership styles. African renaissance (humanist) systems are based on normative, often value-driven, leadership and moral involvement of people within the organization. An activist or charismatic leadership approach seems to answer to this profile.

Even though each of these ideal types might not exist in their pure form in local NGOs, one can identify the main assumptions guiding management and leadership approaches through these three ideal types. This leads us to identify hybridization or cultural crossvergence as a way to understand the complex interactions and the power dynamics between the stakeholders in and around nonprofit organizations shaping the emergence of hybrid ways of leading and managing NGOs.

Understanding the above is key if we wish to proceed toward building management and leadership capacity within organizations operating in this complex and uncertain environment and to gain employee commitment. Hence, we argued that management learning and development needs to build on an awareness of this environment. Simultaneously, it needs to incorporate the interests of various stakeholders by developing the internal means of drawing them into the decision-making process and the management of change to motivate staff and obtain commitment. This all requires managers and leaders to adequately manage the dynamics of multiculturalism.

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Making the Case for Workplace Diversity

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Open any recent nonprofit trade journal, and there are a number of reports detailing the lack of staff and board diversity in the sector. Despite the common perception that nonprofit organizations are and *should* be representative of the constituents they serve, an Annie E. Casey Foundation study finds that 84% of nonprofits are led by whites, while 58% of these same nonprofits serve racial and ethnic minority communities (Tempe & Smith, 2007). Along similar lines, another study finds that within foundations, only 6% of CEOs and 10% of foundation board members are racial and ethnic minorities (Burbridge, 2002). Additionally, statistics on nonprofit senior managers and CEOs often reveal that a "glass ceiling" exists for women (Odendahl & O'Neill, 1994). Although women make up the majority of nonprofit employees across many occupations, when it comes to management and senior-level positions, men are significantly overrepresented (Odendahl and O'Neill, 1994).

Of particular mention here is the unique demand placed on nonprofit managers to better understand the term *diver sity* within the sector. For example, understanding what it means for a nonprofit organization to have a diverse workforce in terms of gender is especially unique. The concept of gender diversity in the nonprofit workforce may require understanding why women (who constitute the majority of the nonprofit workforce) still do not constitute the majority of nonprofit managers (Odendahl & O'Neill, 1994). Additionally, in particular nonprofit subsectors, male staff members would be considered a "minority" group. Again, both a true understanding of the definition of diversity and its nuances within the nonprofit sector along with a better understanding of the connection between diversity and an organization's performance are necessary components of making a case for diversifying the nonprofit workforce.

However, the number of reports and studies detailing the lack of diversity within the nonprofit sector seem to have an underlying assumption that increasing the diversity of an organization's board or staff members would improve organizational performance. Yet unlike the growing evidence and research conducted in the business and public sectors examining the connection between workforce diversity and performance, similar research in the nonprofit sector is sparse and not well known. Oftentimes, when reading a research report on the lack of diversity within the nonprofit sector, underlying assumptions about the impact of diversity appear anecdotal or normative, without providing evidence of how diversity can impact nonprofit organizations or clients.

Examples of this normative evidence can be seen in the reasoning given for why diversity is important in the nonprofit sector. A 2007 *Nonprofit Times* article states that a lack of workforce diversity "puts the sector at risk of losing touch with the populations nonprofits are organized to serve" (Tempel & Smith, 2007, "Nonprofits Have a Spotty Record"). Other reports suggest that board and staff diversity allow nonprofits to both better represent the constituents they serve and be more innovative with their solutions to social problems (John, 2008). But the real question we must begin to ask ourselves is whether or not these statements are true? How do we know that increasing diversity in the nonprofit sector will allow nonprofits to better serve their clients? Because the literature examining this topic within nonprofit research is sparse, what previous research can we use from the business and public sectors to better understand the link between workforce diversity and organizational or client performance within the nonprofit sector? And finally, will the relationship between workforce diversity and organizational or client performance be any different in the nonprofit sector than in the business and public sector?

This chapter explores these questions and others, going beyond common writings about workforce diversity, which typically either emphasize descriptive statistics of the nonprofit workforce or provide suggestions on how to best manage diversity within an organization. This chapter will seek to enhance the understanding of the connection between diversity and performance to create more informed advocates and ambassadors who understand why having a diverse workforce is important. First, an overview of the research conducted in the business and public sector examining the relationship between workforce diversity and performance measures is provided. Second, this chapter presents an overview of research conducted examining the relationship between diversity and performance in nonprofit literature. In fact, the latter can be grouped into two distinct bodies of literature. There is quantitative research that examines the relationship between *board* diversity and *organizational* outcomes and qualitative research that examines the relationship between *workforce* diversity and *client* outcomes.

Finally, a few strategies are presented that can be used by any nonprofit employee who works in an organization where diversity training and/or education has not been incorporated into that organization's culture and work environment. But most importantly, the aim of this chapter is to provide an initial starting point to begin discussions in the nonprofit organization's individuals may work in. At the end of this chapter, each reader will have a better understanding of the empirical research connecting workforce diversity and organizational or client performance rather than anecdotal statements that diversity is necessary and important. Furthermore, for future managers in the nonprofit sector, this research creates a discourse of the components necessary in an organization's environment and culture to best support diversity initiatives within their organization, as both the workforce and community demographics of those served by nonprofits is continually changing.

Defining Terms

For the purpose of this chapter, *diversity* is being defined as the U.S. Equal Employment Opportunity Commission (EEOC) defines *protected classes*, which includes a person's race, color, religion, sex (including an unborn child's during pregnancy), national origin, age (40 or older), disability, or genetic information (http://www.eeoc.gov/eeoc/index.cfm). This specific definition of diversity is used rather than much broader definitions of diversity (which can include categories like values, personality types, etc.; for a broad discussion of the term *diversity* and the multiple viewpoints about how diversity should be defined, please see Carrell, Mann, and Honeycutt Sigler, 2006). The EEOC's definition is similar to the perspective of scholars in this arena such as Carmines and Stimson who write that "one of the most enduring relationships is the impact of race and ethnicity on values" (as cited in Meier, Wrinkle, & Polinard, 1999, p. 1026).

Performance measures are defined here as the umbrella concept under which outputs and outcomes are classified. Scholars in different areas of research (for-profit, public, and nonprofit sectors) use different performance measures both within and across sector research. It is worth taking time then to define outputs and outcomes, as some studies use outputs as a measure of an organization's performance while others use outcomes. Poister (2003) defines outputs as "the immediate products or services produced by public and nonprofit organizations" (p. 99). Organizational outputs have primarily been the focus of work in nonprofit literature examining the relationship between board diversity and performance. Most of this work focuses on outputs such as financial performance (i.e., funds raised for the organization) or other organizational performance metrics (such as board effectiveness and/or board performance).

Some scholars examine the connection between diversity and performance, which evaluate the impact of diversity on outcomes. Outcomes are defined as the results an organization produces (Poister, 2003). Additionally, distinctions are often made between different types of outcomes: short-term, intermediate, and long-term outcomes. Yet most scholars conducting research examining diversity's impact on performance do not denote whether they are measuring short-term, intermediate, or long-term outcomes. For a rich discussion of outcome measurement in nonprofit organizations, please see the Urban Institute's Outcome Indicators Project webpage (http://www.urban.org/center/cnp/projects/outcomeindicators.cfm).

The next section explores research conducted in the private sector that examines the connection between workforce diversity and performance. It will be important to keep in mind the definitions provided above regarding the difference between outputs and outcomes. In particular, the private sector researchers typically examine the connection between workforce diversity and financial outputs of an organization.

Private-Sector Research: Diversity's Impact on Organizational Performance

During the 1990s, the phrase "making a business case for diversity" was commonly used throughout the private sector and even found its way into public conversation and mainstream news sources. The business case for diversity was often used to justify an assumed belief or value held by many managers throughout the for-profit sector that diverse groups and teams had a positive impact on achieving a business's objectives. A number of studies emerged measuring the relationship between workforce diversity and operational or administrative outputs of a business. These outputs were often operational in terms of increased profits, less employee turnover, the creation of more innovative goods and services, and higher stock prices (Fernandez & Barr, 1993; Jackson, Joshi, & Erhardt, 2003; Kochan et al., 2003; Mannix & Neale, 2005; Robinson & Dechant, 1997).

Yet over time, studies of the relationship between workforce diversity and organizational performance in the private sector had different, conflicting, or inconclusive results. Some studies that were conducted indicated that diverse teams and organizations have positive impacts on various measures of organizational performance, while other studies found either negative relationships or none at all between workforce diversity and performance (Jackson et al., 2003; Kochan et al., 2003; Milliken & Martins, 1996; Richard, 2000).

Recent work conducted in the private sector introduces two concepts of organizational context and group-team processes to better understand the casual mechanisms that occur between workforce diversity and organizational performance. Kochan et al.'s (2003) work embodies the aims of current research in the private sector: They find that to empirically examine the relationship between workforce diversity and organizational performance both an organization's context and group-team processes need to be measured. Understanding an organization's culture and the group-team processes involved in the work often serve as antecedent and intervening variables, which are necessary when measuring the relationship between workforce diversity and performance. These authors define *organizational context* as a number of different factors that are important to measure, as neither diversity nor organizational performance exists "in a silo." Organizational context is defined as organizational culture, business strategy, and human resource policies and practices (Kochan et al., 2003). This same study defines group-team processes as a number of different variables that likely impact organizational performance, such as communications, conflict, cohesion, information, and creativity. Jackson et al.'s (2003) work provides a survey of literature conducted in the private sector examining the relationship between diversity and performance and finds that there are four contextual elements that have been used throughout many studies. These four contextual factors include the task characteristics of work, the organizational culture, and the strategic and temporal context of the work.

This research indicates that although diversity studies have shown a variety of often conflicting or inconclusive results, diversity's impact on organizational performance can primarily be observed by better understanding an organization's context (Jackson et al., 2003; Kochan et al., 2003; Mannix & Neale, 2005; Milliken & Martins, 1996; Richard, 2000; Robinson & Dechant, 1997). Kochan et al. (2003) argue that many of the reasons why researchers have inconclusive or negative results is because the effects of diversity have not been measured within the context of where and how work takes place.

Private-sector researchers have truly led the efforts to empirically measure the impact of workforce diversity on organizational performance while using theories to guide and frame their research. Private-sector scholars also established a precedent of the critical need to make operational, observe, and measure both antecedent and intervening variables to accurately examine the relationship between workforce diversity and performance.

Overall, in private-sector research, we can identify a long tradition of not only understanding diversity as a complex concept (often measured in terms of cultural and demographic diversity) but also observing a commitment from researchers to examine the entire organization as well as the group-team processes that can affect the potential impacts of workforce diversity and organizational performance. In the public sector, we also observe a similar tradition of examining the complexities of the impact of workforce diversity on organizational performance. Yet organizational performance is made operational and conceptualized differently than performance used in private sector research (such as employee turnover, growth of profits, etc.). Instead, organizational performance is evaluated in terms of client outcomes, which are primarily found in the research of representative bureaucracy. This literature attempts to understand the relationship between public-sector organization workforce diversity and the outcomes of clients that use these services. Below is an overview of this literature, which again has some similarities to the research conducted by private-sector scholars but conceptualizes the performance measures very differently.

Public-Sector Research: Diversity's Impact on Client Outcomes

In 1944, Kingsley published one of the first works examining the concept of representative bureaucracy in public-sector organizations. He was one of the first scholars to examine the relationship between the demographics of the public-sector workforce and the outcomes of the clients that organizations serve. Since that time, a number of scholars have conducted rigorous empirical work on this same concept and are seeking to further understand how representation affects the public good (Hindera, 1993; Keiser, Wilkins, Meier, & Holland, 2002; Meier et al., 1999; Pitts, 2005).

Mosher's (1982) research distinguished between two different types of representation, *passive* and *active* representation. Passive representation is defined as the relationship between the demographics of an organizations workforce matching the demographics of the clients the organization serves. On the other hand, active representation is defined, "wherein an individual (or administrator) is expected to press for the interests and desires of those whom he is presumed to represent, whether they be the whole people or some segment of the people" (as cited in Dolan and Rosenbloom, 2003, p. 20).

One particular study of note that explores the concept of workforce diversity and its impact on client outcomes within a public-sector organization is demonstrated in Selden's (1997) research on the Farmers Home Administration. This study provided a unique analysis of representative bureaucracy as "the FmHA is not normally thought of as an agency with a mission emphasizing minority representation, despite the direct relevance of its programs to minority communities" (p. 66). This study focused on county supervisors who were responsible for providing loans to low-income residents in rural counties for housing purchase and repair. Selden finds a positive relationship between passive and active representation and also finds a positive relationship between an administrator's perception of himself or herself as an advocate of minority interests and active representation. She writes, "The extent to which a county supervisor perceived his or her role as an advocate of minority interests significantly influenced the percentage of eligibility decisions favoring minorities and the extent to which the supervisor publicized the loans program in the minority community" (p. xiv).

Researchers Thielemann and Stewart (1996) conducted another interesting study examining passive representation. Thielemann and Stewart surveyed 510 people living with AIDS to determine whether people living with AIDS, who receive services necessary for their survival, would care about the demographics of the employees that they interact with and receive services from? The results from their study indicate that clients do have a preference for working with service providers who are demographically similar to themselves. Thielemann and Stewart write, "A clear majority of each group—at least three-fourths of the African-American and Hispanic respondents and slightly over three-fifths of the Anglos—care if they received their services from people of the same ethnic group" (p. 171). Another surprising finding from this study is that the higher level bureaucrats in this service organization are "faceless" and unimportant to the citizens being served by this organization.

Unlike research done in the private sector focusing on the relationship between workforce diversity and organizational performance, public-sector scholars are primarily concerned with discerning the relationship between workforce diversity and client outcomes. Yet similar to private-sector researchers, public-sector scholars have found that organizational context and group-team processes within an organization *matter.* Concepts such as administrative discretion, attitude congruence with minorities, critical mass, and organizational strategies have all been identified as important variables that should be measured in public-sector research examining the relationship between workforce diversity and client outcomes (Andrews, Boyne, Meier, O'Toole, & Walker, 2005; Bradbury & Kellough, 2007; Dolan & Rosenbloom, 2003; Meier et al., 1999; Selden, 1997). Again, public-sector scholars also realize that workforce diversity and client outcomes don't operate in a vacuum, and it is important to examine the complete picture of an organization when evaluating the impact of diversity on performance.

Nonprofit Research: Board Diversity's Impact on Organizational Outputs

Unlike research in the public and private sectors, the nonprofit research conducted on this subject primarily focuses on the link between board diversity and performance. There is a small amount of literature (primarily qualitative research) that examines the relationship between workforce diversity and client outcomes. Although the majority of nonprofit literature does not explicitly examine workforce diversity, we can certainly learn from previous research as to the potential impacts of a diverse nonprofit workforce and organizational outputs and/or client outcomes. This section describes a number of different studies conducted across different subsectors of nonprofits examining the impact between board diversity and organizational outputs.

The majority of nonprofit research examining the relationship between diversity and organizational outputs focuses on the diversity of nonprofit boards. This is not surprising since board members of nonprofits are especially important as they often bring new resources to nonprofits (often financial), which ultimately impact the operational, administrative, and financial outputs of the organization (Siliciano, 1996; Zald, 1969). Similar to work conducted in the private sector, nonprofit researchers define diversity as a multidimensional concept. In much of this research, a board member's occupation, race, sex, age, gender, and/or socioeconomic status is used to create an index of diversity.

Zald (1969) is one of the earliest authors to examine the relationship between board diversity and organizational outputs (which he defines as board effectiveness). Zald (1969) conducted a survey of 37 departments in Chicago-area Young Men's Christian Associations (YMCAs). He created an index of performance measures of board effectiveness through four separate indicators:

1. Financial contributions of board members
2. Participation of board members in programs
3. Board attendance
4. Ratings of departmental effectiveness

Zald (1969) found that YMCAs with board members who were not local community residents were able to secure more resources and operate more efficiently.

Bradshaw, Murray, and Wolpin (1996) conducted a similar study but primarily focused on the relationship between gender diversity within nonprofit boards and organizational performance measures. The organizational outputs examined are focused on the connection between gender diversity and board performance—operative as both board and organizational effectiveness. Bradshaw et al. (1996) conducted this research on 417 nonprofit organizations in Canada. They found no significant relationships between the percentage of women as board members or CEOs of nonprofits and organizational effectiveness, in either subjective or objective operations of this variable. However, a positive relationship was found between the percentage of women on boards and the degree of board formalization, board attendance, and the CEOs' satisfaction with board performance.

Siliciano (1996) used a multidimensional concept of diversity to understand the relationship between board diversity and organizational outputs, focusing on the link between gender and occupational diversity and an organization's performance. Siliciano defined organizational performance as a combination of both client focused outcomes (such as ability of a nonprofit to fulfill its mission) and organizational outputs (such as fiscal performance). Surveying a sample of 240 YMCA organizations, Siliciano found that the occupational diversity of board members had a positive relationship with both organizational and fiscal performance measures. Siliciano also found that a higher proportion of women on a nonprofit board of directors was positively associated with the organization's ability to fulfill its mission but negatively associated with levels of donations.

In 2002, Brown was one of the first researchers to examine the relationship between the *racial ethnic* diversity of the board and organizational outputs (which Brown measured in terms of board performance). Brown also follows in the tradition of most researchers from the private and public sector examining the relationship between diversity and organizational outputs, as he takes into account both the organizational context and group-team processes that exist within an organization. His research used survey data from 121 executive directors in two metropolitan cities to examine the relationship between board diversity, attitudes about diversity, and an organization's recruitment practices on board performance. Board performance was measured using a modified version of the Board Self Assessment Questionnaire (which assesses the characteristics of effective boards) revealing a moderate relationship between the board's racial-ethnic diversity and board performance. Additionally, Brown (2002) found that diversity recruitment strategies and the board's attitudes about diversity were positively associated with higher levels of board performance. This finding is similar to both private and public sector findings as the organization's culture and its ability to manage diversity *well* within an organization serves as an intervening variable impacting an organization's performance.

In addition to the quantitative studies that primarily focus on the relationship between board diversity and organizational performance, there is a small body of literature that examines the relationship between workforce diversity and client outcomes (along the lines of what is researched in public sector research) within the nonprofit sector. Below is an overview of this research to provide a better understanding of the research that's been conducted examining this topic on nonprofit organizations but more importantly on how measures of client outcomes are made operational within this research arena.

Nonprofit Research: Workforce Diversity's Impact on Client Outcomes

There is another group of literature that examines the intersection of workforce diversity and an organization's cultural responsiveness to its clients. This research posits that nonprofit organizations engage in human resource practices to be inclusive in order to both recruit a diverse workforce and be responsive to the diverse clients they serve. Because this research is mostly qualitative, many of the contextual factors (human resource practices, organization strategy, and group-team practices) that both private- and public-sector researchers examine are included in these studies. Similar to work in the public sector, which makes a distinction between passive and active representation, scholars in this research arena make a distinction between first and second order changes. The findings from this research are similar to the findings of public-sector researchers who examine representative bureaucracy. First order changes (hiring more diverse staff members) does not impact organizational or client outcomes but second order changes (managing diversity within an organization's environment) have the most impact on performance measures (Hyde, 2003; Hyde & Hopkins, 2004).

Hyde (2003) conducted a qualitative study of 20 nonprofit managers in the New England area examining the values, goals, and attributes that both initiated and resulted in an organization's diversity practices. Most managers reported that they initiated human resource practices and strategies of hiring diverse staff members either to be more responsive to their clients or to assist in recruiting other diverse staff members. Allison's (2001) study describes the relationship between a nonprofit's workforce and an organization's responsiveness to clients, as he found that less diverse workforces affected clients adversely. Allison examined youth-related nonprofit agencies in a qualitative study and found that in those nonprofit organizations with less diversity, staff members believed it negatively impacted their ability to recruit and/or serve diverse clients or establish community partnerships.

The reviews of this literature allow us to hypothesize that there are many positive benefits when the workforce of a nonprofit organization is diverse. Furthermore, the benefits resulting from a diverse workforce can be both quantitative and qualitative, focused on outputs or outcomes, or focused on clients or organizational performance.

However, these potential benefits will only be realized when an organization's culture is supportive of these practices. Examining the impact of staff diversity across for-profit, public, and the nonprofit sectors certainly indicates not only that context matters but also that increasing staff diversity without taking into account how this diversity can be integrated into an organization's culture and group-team work processes is imperative. Below, possible strategies to incorporate more inclusive practices into their nonprofit organizations are suggested for employees beginning their first nonprofit jobs. Whether someone identifies as a minority or not, the knowledge gained from this chapter indicates that understanding strategies on how to potentially enhance these diversity-related benefits will affect the work and the impact an organization has.

Summary

In considering a career in the nonprofit sector, a person must first consider how he or she can determine if an organization has a commitment to inclusive hiring practices. When interviewing and reviewing an organization's material, one must pay particular attention to its human resource policies and discrimination policies. These documents should indicate whether or not this organization recognizes the potential benefits from having an organizational culture that is supportive of a diverse workforce or if it relies on more anecdotal and normative beliefs concerning the relationship between diversity and performance. If an organization's human resource policies are not clear, take a look at the statements the organization makes on its website, brochure, and other public relations material to determine its commitment to serving a diverse clientele. An example could be an organization that has its forms and information translated into a second language so that it can be responsive to an increasingly diverse clientele. Other examples could include organizations that have explicit and clear statements made available to the public about their commitments to nondiscrimination. If these documents are not clear, employees should feel free to approach the human resources manager or direct supervisor to suggest implementing human resource policies or nondiscrimination statements that not only suggest that the nonprofit is supportive of incorporating more diverse staff members into its organization but also indicate that the organizational culture is supportive of and recognizes the potential benefits of diversity.

Another important question concerning nonprofits is to ask what sort of diversity training and/or education programs the organization has in place. Does the organization provide diversity training annually or only once when an employee is hired? Are there opportunities for additional training or education programs for managers or supervisors to support diversity initiatives? If the organization has a diverse clientele, what sort of training for employees will it implement in order to adapt to an increasingly diverse clientele? Additionally, is diversity training and education something that is recognized as important by all employees or just management? What is the organization's definition of diversity, and is this explicitly stated in the diversity training materials? It is also important to understand the procedures set in place for reporting incidents of intolerance or discrimination.

One can also imagine a situation where individual employees may serve as ambassadors or advocates for increasing the diversity and training-education materials in an organization, if some of these questions remain unanswered or are not made clear in existing materials. Organizing a monthly potluck where staff members bring dishes that are representative of their heritage or background could be a great start for an organization that is beginning discussions around the importance of having a diverse workforce. Another way to highlight the importance of diversity could be in organizing a day of service for the employees within an organization whose principles stress tolerance and justice.

It is important to recognize the connection that exists between workforce diversity and performance. Nonprofit employees should take a particular interest in serving as an ambassador or advocate for diversity-related benefits that may enhance the performance of an organization. In this era of changing demographics and increased reliance on nonprofit organizations to provide many basic social and human services, recognition of the relationship between workforce diversity and performance will lead to a generation of nonprofit employees who serve as both advocates and ambassadors for diversity.

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U.S. Equal Employment Opportunity Commission: http://www.eeoc.gov/index.cfm

Workforce diversity and inclusion committee (American Humanics), http://www.humanics.org/site/c.omL2KiN4LvH/b.2157037/k.2110/Workforce Diversity and Inclusion Committee.htm

Appendix A

Print Resources on Nonprofit Leadership

Books on Nonprofit Leadership

Anheier, H. K., & Hammack, D. C. (2010). ***American foundations: Roles and contributions.*** **Washington, DC: Brookings Institution Press.**

This book attempts to assess the impact and significance of philanthropic foundations in the United States. Over the course of 3 years, the authors Helmut Anheier and David Hammack gathered leading researchers to examine the work of foundations across a broad spectrum of fields including education, health care, social welfare, and the arts and culture. The research sought to address a number of compelling questions: Is American society different because of the existence of foundations? What roles have foundations played in the history of the United States? What roles do they fill now, and what roles are they likely to fill in the future? See also other books by Hammack: *Making the Nonprofit Sector in the U.S.* and *Nonprofit Organizations in a Market Economy: Understanding New Roles, Issues, and Trends* (with Young).

Bennis, W. G. (2009). ***On becoming a leader*****. New York: Basic Books.**

Warren G. Bennis is a university professor and founding chairman of the Leadership Institute at the University of Southern California. He is also chairman of the Center for Public Leadership at Harvard's Kennedy School and Distinguished Research Fellow at the Harvard Business School and the author of numerous articles and books on leadership. This book explores the qualities that define leadership and those who exemplify those qualities. It explores the strategies that make leaders successful and provides guidance for those wishing to excel in leadership positions.

Bennis, W. G., & Nanus, B. (1985). ***Leaders: Strategies for taking charge.*** **New York: HarperCollins.**

Warren G. Bennis is a university professor and founding chairman of the Leadership Institute at the University of Southern California. He is also chairman of the Center for Public Leadership at Harvard's Kennedy School and Distinguished Research Fellow at the Harvard Business School and the author of numerous articles and books on leadership. Burt Nanus is professor emeritus of management at the University of Southern California and founder of the university's Center for Futures Research. In this text, the authors argue that the most pressing issue facing corporate America is leadership. They address what they see as the four key principles of management: attention through vision, meaning through communication, trust through positioning, and the deployment of self. This book is of interest to any person in a position of leadership or any student of leadership theory.

Boris, E. T., & Steuerle, C. E. (Eds.). (2006). ***Nonprofits and government: Collaboration and conflict.*** **Washington, DC: Urban Institute Press.**

This collection of 10 essays considers the relationship between government and the nonprofit sector. It attempts to address such critical issues as the role that tax breaks should play in charitable giving and whether nonprofits can fill the gaps in public service created by cuts in government spending over the last 3 decades. This should be of interest to researchers or policymakers, as well as to those directing or working within nonprofit institutions or foundations.

Bremner, R. (1988). *American philanthropy*. Chicago: University of Chicago Press.

Robert Bremner, the author of several books on philanthropy, is professor emeritus at Ohio State University. This book, which Bremner admits is not meant to be encyclopedic, offers a history of philanthropy in America from the country's founding to the present. New chapters in the book cover the last quarter century and the radical changes in tax law that have dramatically altered how money and resources are given, by whom, and to whom. The book includes a substantial bibliographic essay offering suggestions for further reading in the field. The book serves as an excellent introduction to the study of philanthropy in America.

Brest, P., & Harvey, H. (2008). *Money well spent*. New York: Bloomberg Press.

Paul Brest is President of the William and Flora Hewlett Foundation. Before joining the Hewlett Foundation, he was a professor at Stanford Law School, serving as dean from 1987 to 1999. Hal Harvey is founder and President of the ClimateWorks Foundation. Previously, he directed the Hewlett Foundation's Environment Program. This book argues that strategy is the critical factor in successful philanthropy. It provides foundations and philanthropists with a road map for developing strategies to achieve their missions and philanthropic goals.

Brinckerhoff, P. C. (2009). *Mission-based management: Leading your not-for-profit in the 21st century.* Hoboken, NJ: John Wiley & Sons.

Peter C. Brinckerhoff is a trainer, author, and consultant to nonprofit organizations, working to help them become more mission capable. This book provides ideas and criteria for success in today's competitive nonprofit sector. Written with nonprofit managers and leaders in mind, it addresses their unique concerns, providing a list of core characteristics of successful nonprofits and tools for using technology to improve mission outcome

Bryson, J. M. (2004). *Strategic planning for public and nonprofit organizations* (3rd ed.). San Francisco: Jossey-Bass.

The book is about the set of concepts, tools, and designs leaders need to develop to cope with the changing environment. The leader will need to decide and develop a coherent organizational vision of success, using strategic identifications and approaches. The book features the strategy change cycle, a proven planning process used by a large number of organizations. It also offers detailed guidance on implementing the planning process and specific tools and techniques to make the process work in any organization. Leadership, management, and strategic planning are blended together in alignment with trends in the field. Practitioners, nonprofit managers, board leaders, students, and fundraisers will benefit from the broad range of topics covered, including strategy, mapping, stakeholder analysis, and strategic management.

Burlingame, D. (Ed.). (1992). *The responsibilities of wealth*. Bloomington: Indiana University Press.

This collection of essays questions both the tradition and current state of philanthropic giving in the United States. It begins with Andrew Carnegie's "The Gospel of Wealth" (1889) and uses that as a frame to explore the philosophical basis for charitable giving: Who should give? In what context? What should be the relationship between the donor and recipient? What should be given? The collection considers the more practical side of philanthropy but is primarily concerned with the fundamental questions underpinning charity and whether the wealthy have a responsibility to share with those less fortunate. See also *Critical Issues in Fund Raising; Philanthropy Across the Generations: New Directions for Philanthropic Fundraising; Philanthropy in America: A Comprehensive Historical Encyclopedia; Taking Fund Raising Seriously: Advancing the Profession and Practice of Raising Money* (with Hulse); and *Corporate Philanthropy at the Crossroads* (with Young).

Burlingame, D. (Ed.). (1997). *Critical issues in fund raising*. New York: John Wiley & Sons.

This collection of 16 pieces has its roots in the "Think Tank on Fund-Raising Research" and presents a wide-ranging consideration of the most fundamental questions facing philanthropical organizations today. The ethics of philanthropical giving are considered, as are the patterns of giving in Europe and how those might help organizations in America. One paper looks at current research in donor motivation, while another tackles the role of the government in regulating charitable fundraising. This collection, given its scope, should appeal both to fundraising professionals and academics, board members and consultants. See also other books by Burlingame: *The Responsibilities of Wealth; Philanthropy Across the Generations: New Directions for Philanthropic Fundraising; Philanthropy in America: A Comprehensive Historical Encyclopedia; Taking Fund Raising Seriously: Advancing the Profession and Practice of Raising Money* (with Hulse); and *Corporate Philanthropy at the Crossroads* (with Young).

Burlingame, D. (Ed.). (2004). *Philanthropy across the generations: New directions for philanthropic fundraising.* San Francisco: Jossey-Bass.

This is the 42nd issue of the quarterly report series *New Directions for Philanthropic Fundraising*, representing the

16th Annual Symposium on Philanthropy, held in August 2003. The nine chapters in this volume consider such questions as whether or not altruism is an evolutionary adaptation, how to resolve potential moral ambiguities in philanthropical giving, the potential for transforming the roles of "fundraising practitioners" in the future, and the critical value of the estate tax. See also other books by Burlingame: *The Responsibilities of Wealth; Critical Issues in Fund Raising; Philanthropy in America: A Comprehensive Historical Encyclopedia; Taking Fund Raising Seriously: Advancing the Profession and Practice of Raising Money* (with Hulse); and *Corporate Philanthropy at the Crossroads* (with Young).

Burlingame, D. (Ed.). (2004). *Philanthropy in America: A comprehensive historical encyclopedia.* Santa Barbara, CA: ABC-CLIO.

This is a three-volume set. The first two volumes have 250 entries that document the history, the major figures, the important events, and the prominent organizations of American philanthropy. The third volume supplements those entries with 75 primary source documents that range from Aristotle's consideration of charity to a 2003 Supreme Court case. The encyclopedia considers America's history of not only philanthropy but also the roots of that history, tracing, for example, the institutionalization of charity in 14th-century England. See also other books by Burlingame: *The Responsibilities of Wealth; Critical Issues in Fund Raising; Philanthropy Across the Generations: New Directions for Philanthropic Fundraising; Taking Fund Raising Seriously: Advancing the Profession and Practice of Raising Money* (with Hulse); and *Corporate Philanthropy at the Crossroads* (with Young).

Burlingame, D., & Hulse, L. J. (Eds.). (1991). *Taking fund raising seriously: Advancing the profession and practice of raising money.* San Francisco: Jossey-Bass.

This book is a compilation of papers originally presented at a 1990 symposium held at the Indiana University Center on Philanthropy. The papers not only look at the critical role that nonprofit organizations play in American society but also question the potential public misconceptions of nonprofit fundraising. Along with the history of nonprofits, the authors also consider the ethics of public fundraising. Individual papers address current changes in the structure and leadership of nonprofit organizations. This collection is aimed at those interested in distinct individual views on the history, ethics, and future of public fundraising. See also other books by Burlinghame: *The Responsibilities of Wealth; Critical Issues in Fund Raising; Philanthropy Across the Generations: New Directions for Philanthropic Fundraising; Philanthropy in America: A Comprehensive Historical Encyclopedia;* and *Corporate Philanthropy at the Crossroads* (with Young).

Burlingame, D., & Young, D. (Eds.). (1996). *Corporate philanthropy at the crossroads.* Bloomington: Indiana University Press.

This collection of papers, from academics and volunteers, business people and students, considers the future of corporate philanthropy as it moves from a "do what is right" model toward a "consider only the bottom line" model. The papers are heavily research driven and are geared toward fundraisers as they think about the future of their organizations and potential corporate donations. They may also be of interest to academics working in corporate philanthropy. See also other books by Burlingame: *The Responsibilities of Wealth; Critical Issues in Fund Raising; Philanthropy Across the Generations: New Directions for Philanthropic Fundraising; Philanthropy in America: A Comprehensive Historical Encyclopedia;* and *Taking Fund Raising Seriously: Advancing the Profession and Practice of Raising Money* (with Hulse).

Canfield, J., Hansen, M. V., Oberst, A., & Boal, J. (2002). *Chicken soup for the volunteer's soul: Stories to celebrate the spirit of courage, caring and community.* Deerfield Beach, FL: Health Communications.

This collection of stories is designed to inspire community involvement and social engagement. The individual stories highlight Habitat for Humanity, Big Brothers/Big Sisters, the Peace Corps, the Red Cross, and many other nonprofit organizations. A constant theme is that the individual who volunteers tends to discover something important or unique about him- or herself. It should be of interest to those who volunteer or those considering giving time or money to volunteer organizations.

Carnegie, A. (2008). *The gospel of wealth.* Gloucester, UK: Dodo Press.

Andrew Carnegie was a businessman, a major philanthropist, and the founder of the Carnegie Steel Company, which later became U.S. Steel. This book is an essay he wrote in 1889 describing the responsibility of philanthropy by the new upper class and arguing for the superiority of the American system of republican government to the British monarchical system. He argues that the wealthy entrepreneurs must accept the responsibility of giving money in the most effective manner possible.

Carver, J. (2006). *Boards that make a difference: A new design for leadership in nonprofit and public organizations.* San Francisco: Jossey-Bass.

This author considers the variety of different boards and the difficulties they tend to face. Based on these difficulties, Carver argues for new principles of governance and approaches to policymaking for boards. He argues for new approaches to board-staff relationships, as well as the role

of the chief executive. The book addresses performance monitoring and virtually every aspect of the board-management relationship. The author also recognizes the importance of keeping the mission of the organization in front. The book is of particular interest to those serving on boards, or those who work with nonprofit boards.

Clifton, D. O., & Rath, T. (2004). *How full is your bucket?* New York: Gallup Press.

This brief book contains helpful and simply offered information on how the smallest interactions can affect your relationships, health, and productivity. Based on the simple metaphor of a bucket and a dipper, the authors' theory states that everyone has an invisible "bucket" that is constantly being filled or emptied depending on what others say or do to other people. This book would resonate well with all those wishing to learn how they can better motivate and encourage as well as show their appreciation to others. Teachers, parents, managers, coaches, and so on would benefit from the information in this book.

Clinton, B. (2007). *Giving: How each of us can change the world.* New York: Alfred A. Knopf.

This book, by the former president of the United States, considers via personal stories and anecdotes from Oseola McCarthy, Andre Agassi, Oprah Winfrey, and others how individual acts of charity and giving can change the world for the better. In chapters on "Giving Money," "Giving Time," "Giving Things," and "Giving Skills," Clinton encourages individuals to ask what they have to offer the public sector and then offer it. More an inspirational collection than an academic work, it should be of interest to anyone working in, or considering getting involved in, the nonprofit sector.

Collins, J. (2001). *Good to great: Why some companies make the leap . . . and others don't.* New York: HarperCollins.

Jim Collins is known for his work examining enduring companies—how they grow, how they attain superior performance, and how good companies can become great ones. He founded a management laboratory where he conducts multiyear research projects and works with executives from the private, public, and social sectors. This book outlines the results of a 5-year research project comparing companies to identify what makes a company likely to progress from good to great. This book discusses concepts like level 5 leadership, first who (first get the right people on the bus, then figure out where to drive it), and the flywheel. See also Collins's *Good to Great and the Social Sectors: Why Business Thinking Is Not the Answer—A Monograph to Accompany Good to Great.*

Collins, J. (2005). *Good to great and the social sectors: Why business thinking is not the answer—A monograph to accompany good to great.* New York: HarperCollins.

Jim Collins is known for his work examining how enduring companies grow, attain superior performance, and become great. This brief monograph, originally intended as a new chapter in future editions of *Good to Great: Why some Companies Make the Leap . . . and Others Don't*, is based on interviews and workshops with over 100 social sector leaders. Collins examines the concepts of good to great and their meaning and applicability within the public sector. The monograph addresses such issues as how to define *greatness* for the public sector and how to recruit and retain the right people. See also Collins's *Good to Great: Why Some Companies Make the Leap . . . and Others Don't.*

Compton, D. W., Baizerman, M., & Stockdill, S. H. (Eds.). (2002). *The art, craft and science of evaluation capacity building.* San Francisco: Jossey-Bass.

This book defines evaluation capacity building (ECB) and provides a practical framework for understanding its core elements. The book examines four case studies that demonstrate ECB's complexity and the variation that can occur within organizations. Using the guidance and information presented in this literature, an organizational ECB checklist can be developed for organizational use. The purpose of the book is to help develop a general understanding of ECB and how it can be conducted and implemented in an organization; accordingly, the book is meant for students and those entering the nonprofit sector, as well as working professionals in the private and public sector.

Cortes, M., & Rafter, K. M. (Eds.). (2007). *Nonprofits and technology: Emerging research for usable knowledge.* Chicago: Lyceum Books.

This book is a collection of 10 research papers regarding the challenges facing nonprofits when investing in new technology. The papers were originally presented and debated in a symposium of technology adaptation in 2004 in the Institute for Nonprofit Organization Management at the University of San Francisco. The book explores how nonprofit organizations are using technology, the problems they encounter, and how technology can be used to its full potential to advance their goals and mission. Contributing authors include both scholars and practitioners, presenting information in a number of ways, including both in-depth case studies and large data sets of 1000s of surveys. This book would be of interest to students, nonprofit staff, and funders.

Drucker, P. F. (2005). *Managing the nonprofit organization: Principles and practices.* New York: HarperCollins.

Peter F. Drucker is the author of over 35 books, including many on business management and economics. In this book, he considers the management skills that are necessary to managing any operation and those especially unique to the nonprofit sector. He offers "dos" and "don'ts" for truly effective leadership, suggestions for fundraising, possible methods for evaluating success, and models for developing successful staff and donor relationships. This book is of most interest to managers of nonprofit organizations but also of interest to those who study the nonprofit sector.

Eisenberg, P. (2004). *Challenges for nonprofits and philanthropy: The courage to change—Three decades of reflection* (S. Palmer, Ed). Lebanon, NH: Tufts University Press.

Pablo Eisenberg is a senior fellow at the Georgetown University Public Policy Institute. He is also the leader of the Center for Community Change and founder of the National Committee for Responsive Philanthropy. This book is a collection of his speeches and articles spanning nearly 3 decades. The works address both American and global philanthropy in terms of their challenges, responsibilities, successes and failures, accountability, and leadership. He also speculates on what the future might hold as the United States moves toward the greatest transfer of intergenerational wealth in the country's history. This collection would be of interest to nonprofit leaders, donors, grantmakers, those involved with poverty-fighting organizations, and faculty members and researchers who study nonprofit organizations.

Ellis, S. J. (1999). *From the top down: The executive role in volunteer program success.* Philadelphia: Energize.

Susan J. Ellis is president of Energize, Inc., a training, consulting, and publishing firm specializing in volunteerism. She has authored and coauthored many books on the topic of volunteer recruiting and from 1981 to 1987 served as the editor in chief of the *Journal of Volunteer Administration*. This book is unique in its focus on the top decision-maker's roll in a volunteer program. With the intent of explaining how to structure a successful volunteer program, the author explores issues such as including an overall vision, policy questions, budgeting, staffing, employee-volunteer relations, the role of the board of directors, and assessing the impact of volunteer contributions. She also addresses dealing with risk management, and legal and insurance issues. See also Ellis's *Volunteer Recruitment and Membership Development* (3rd ed.).

Ellis, S. J. (2002). *Volunteer recruitment and membership development* (3rd ed.). Philadelphia: Energize.

Susan J. Ellis, president of Energize, Inc., a training, consulting, and publishing firm specializing in volunteerism, has authored and coauthored many books on the topic of volunteer recruiting. This book provides recommendations on the subject of volunteer recruitment, addressing how an organization's image can impact recruitment success and where to find the most qualified individuals. It includes a 2002 Appendix update, "Outreach in Cyberspace," exploring how to use the Internet and social media to their full potential as recruitment tools. See also Ellis's *From the Top Down: The Executive Role in Volunteer Program Success.*

Esposito, V. M. (Ed.). (1999). *Conscience and community: The legacy of Paul Ylvisaker.* New York: Peter Lang.

This is a collection of essays, speeches, and articles by Paul Ylvisaker on philanthropy, education, urban issues, and community. Paul Ylvisaker made a profound contribution to the American people through his philanthropic works and his commitment to public service. The writings span a period of 30 years, addressing critical issues and movements such as the war on poverty, the environmental movement, the meaning of public service, and education reform. See also Ylvisaker's *Family Foundations Now—and Forever? The Question of Intergenerational Succession.*

File, K. M., & Prince, R. A. (1994). *The seven faces of philanthropy: A new approach to cultivating major donors.* San Francisco: Jossey-Bass.

Karen Maru File is associate professor of marketing at the University of Connecticut at Stamford. Russ Alan Prince is president of Prince & Associates, a consultancy in the private wealth field. This is primarily a book about identifying what the authors refer to as the "seven types of major donors." File and Prince offer strategies on how to approach these different types of donors, with the notion that knowing the different types can help nonprofits tailor their marketing to best appeal to its target audience. Any person responsible for fundraising will be interested in this book.

Fleishman, J. L. (2007). *The foundation: A great American secret: How private wealth is changing the world.* New York: Public Affairs.

Joel L. Fleishman is a philanthropist and a professor of Law and Public Policy at Duke University and serves as

a director of Boston Scientific. In this book, he traces the history of private foundations in America, covering philanthropists from Andrew Carnegie to Bill Gates, and he looks closely at contemporary private foundations that collectively are responsible for giving away over $32 billion each year. He uses 12 individual case studies—Children's Television Workshop, for example—to ask why some succeed, why some fail, and what can and should be done to improve private foundations in the future.

Flynn, P., & Hodgkinson, V. A. (Eds.). (2001). ***Measuring the impact of the nonprofit sector.*** **New York: Klewer Academic/Plenum.**

The 16 papers collected in this text were written in an attempt to assess the current methods of studying the efficacy of nonprofit organizations. The early sections are primarily concerned with general methodology ("Concerns of Measurement and Evaluation"); later sections are more concerned with the various subsectors of the nonprofit world ("Measuring the Impact of Various Subsectors and Special Populations"). Throughout, the focus remains on the question of how to effectively study and evaluate the effectiveness of nonprofit organizations. It is primarily of interest to those studying the nonprofit sector or those involved in evaluating the efficacy of individual nonprofit institutions.

Friedman, L. J., & McGarvie, M. (Eds.). (2003). ***Charity, philanthropy and civility in American history*****. New York: Cambridge University Press.**

Lawrence J. Friedman is professor of History and Philanthropic Studies at Indiana University. Mark McGarvie is the Gotlieb Fellow in Legal History at New York University School of Law. This collection of papers provides surveys of the history of philanthropic giving in America, as well as various theories seeking to explain the role of philanthropy in that history. Individual essays cover such topics as Protestant missionaries, post–Civil War Reconstruction, American philanthropy abroad, Catholic charities, the civil rights movement, and the welfare state. Both historians and those working within philanthropic institutions should find this book of interest.

Frumkin, P. (2005). ***On being nonprofit: A conceptual and policy primer*****. Cambridge, MA: Harvard University Press.**

Peter Frumkin is professor of Public Affairs at the Lyndon B. Johnson School of Public Affairs, and director of the RGK Center for Philanthropy and Community Service. This concise book provides insight into the conceptual and policy terrain of the nonprofit sector. The book is divided into six chapters: "The Idea of a Nonprofit and Voluntary Sector," "Civic and Political Engagement," "Service Delivery," "Values and Faith," "Social Entrepreneurship," and "Balancing the Functions of Nonprofit and Voluntary Action." This book will be of value both to those new to public-sector work and experts in the field. See also Frumkin's *Strategic Giving: The Art and Science of Philanthropy.*

Frumkin, P. (2006). ***Strategic giving: The art and science of philanthropy*****. Chicago: University of Chicago Press.**

Peter Frumkin is professor of Public Affairs at the Lyndon B. Johnson School of Public Affairs, and director of the RGK Center for Philanthropy and Community Service. This book, first and foremost, attempts to place philanthropic giving on a philosophical or theoretical scale. Frumkin argues that philanthropy should be seen not only as a way to meet the needs of society but also as a way of conveying personal beliefs. In searching for a theoretical framework for philanthropy that will accomplish both of those goals, he identifies what he insists all donors must consider, including how much engagement is sought, the purpose of the gift, and the time frame for the donation. This text should be of interest to those considering establishing a foundation or donating to an existing foundation, as well as to any student of philanthropy. See also Frumkin's *On Being Nonprofit: A Conceptual and Policy Primer.*

Galaskiewicz, J., & Bielefeld, W. (1998). ***Nonprofit organizations in an age of uncertainty: A study of growth and decline*****. New York: Walter de Gruyter.**

Joseph Galaskiewicz is a professor of Sociology and Strategic Management/Organization at the University of Minnesota. He is the author of several books, and his research has focused on the role of informal social structures in explaining business organizations and on organizational change. Wolfgang Bielefeld is associate professor of Sociology and Political Economy in the School of Social Sciences at the University of Texas in Dallas. His research has focused on the relations between organizations and their environments and the dynamics of nonprofit sectors. This book is a study of organizational change using data from a panel of public charities in the Minneapolis–St. Paul metropolitan area from 1980 to 1994. It focuses on why some nonprofits survived and why others did not during that period of time, specifically on the strategies that were employed and the consequences for the nonprofits as a result of those strategy choices. The first two chapters in the book introduce the research program, the next three chapters provide the empirical results, and the final chapter draws conclusions from the research data.

Galston, W. A. (Ed.). (2005). *Community matters: Challenges to civic engagement in the 21st century*. Lanham, MD: Rowman & Littlefield.

This collection of essays, the fourth volume in a series from the Institute for Philosophy and Public Policy Studies, addresses the challenges of making a citizen, how citizens are to agree or disagree, and the rights and responsibilities of citizenship. Galston explores the underperformance of schools in terms of their civic missions, the critical process of decision making in a community while avoiding violence and maintaining a sense of unity, and the arguments surrounding compulsory military service.

Gardner, J. W. (1993). *On leadership*. New York: Free Press.

John Gardner served as secretary of Health, Education, and Welfare under President Lyndon Johnson. He also created Common Cause, the first nonprofit public interest group in the United States. In this book, he explores leadership theory, and through using historical figures as examples of the tremendous public energy and potential that can be tapped by effective leaders, he argues that the greatest problem facing the country is a lack of leadership. He challenges current leaders to rededicate the country to its ideals of freedom and justice and to develop and refine a vision of the country's vast potential. The book is of interest to any person in a position of leadership or any student of leadership theory. See also Gardner's *Self Renewal: The Individual and the Innovative Society.*

Gardner, J. W. (1995). *Self-renewal: The individual and the innovative society*. New York: W. W. Norton.

John Gardner served as Secretary of Health, Education, and Welfare under President Lyndon Johnson. He also created Common Cause, the first nonprofit public interest group in the United States. Originally published in 1963, this book explores why some individuals and societies are capable of renewal and innovation while others fall into stasis and decay. He argues that the attributes of the "self-renewing" individual—independence, motivation, self-knowledge, and flexibility—are the same for organizations and societies. Organizations and societies that possess these attributes will flourish; those that don't possess them most likely will not. This book is of interest to those interested in motivational theory, as well as those serving in positions of power within organizations. See also Gardner's *On Leadership*.

Gast, E. (2005). *Community foundation handbook: What you need to know*. Washington, DC: Council on Foundations.

This text provides an overview of community foundations. It includes chapters on accountability, management and finance, grantmaking, donor relationships, and marketing. It is written primarily for foundation staff, but it will also be of interest to board members and volunteers.

Gerston, L. N. (2002). *Public policymaking in democratic society: A guide to civic engagement.* Armonk, NY: M. E. Sharpe.

In this book, Larry Gerston, a professor of political science at San Jose Sate University, provides an overview of the American political process as it relates to making policy. He covers the process from identifying an issue to implementation and evaluation, providing the tools and information a citizen needs to participate fully in policymaking. It will be of most interest to students, interns, those participating in service-learning opportunities, and anyone attempting to both inspire citizens to participate in their government and teach them how to participate in that government effectively.

Goldberg, G., Pittelman, P., & Resource Generation. (2006). *Creating change through family philanthropy: The next generation*. New York: Soft Skull Press.

This book is based on the work and experience of the Resource Generation, a nonprofit institution that works with wealthy young people. The book offers an introduction to family foundations and explains how such foundations work. The authors argue that family foundations can legitimize social issues, and as such, those with wealth are in a unique position to define what issues are important. In that context, the book is a resource for creating and managing family foundations. Young people interested in philanthropical giving might find this of most use, but philanthropical advisers and nonprofit fundraisers should also find it interesting.

Greenleaf, R. K. (1998). *The power of servant leadership*. San Francisco: Berrett-Koehler.

This collection of nine essays by the late Robert K. Greenleaf examines the theory behind and practice of servant-leadership as a model for business leaders. When Robert K. Greenleaf retired from AT&T in 1964, where he had worked in management, research, development, and education, he began a new career as a speaker, writer, and consultant. He coined the term "servant-leadership," emphasizing an approach to leadership that puts serving others, including employees, customers, and the community, first. These essays explore the nature and practice of servant-leadership, interweaving issues of spirit, wholeness, and vision.

Grimm, R. (Ed.). (2002). *Notable American philanthropists: Biographies of giving and volunteering.* Westport, CT: Greenwood Press.

This book is a collection of 78 profiles of individuals and families who have made significant contributions to the history of American philanthropy through voluntary service or charitable donations. The profiles cover both men and women from different time periods, of varying race and ethnicity, and from differing social strata. The profiles follow the same general format, examining the individual's early years, education, career, and philanthropic philosophy and actions. The profilers go on to examine the individual's motivations and justifications for philanthropy. Individuals profiled include Clara Barton, Andrew Carnegie, Cesar Estrada Chavez, the Guggenheim Family, and Booker T. Washington. The contributing authors have all done significant work related to specific philanthropists or related to American philanthropy in general.

Hall, P. D. (1992). *Inventing the nonprofit sector and other essays on philanthropy, voluntarism, and nonprofit organizations.* Baltimore: Johns Hopkins University Press.

Peter Dobkin Hall is a cultural historian and a Leonard Bacon Research Scholar in the Yale University Program on Non-Profit Organizations. He teaches in the Divinity School at Yale University. Through this collection of his essays, he describes and analyzes the development of the fastest growing institutional sector in the United States. The essays explore the historical, religious, cultural, managerial, and public policy aspects of philanthropy and volunteerism. The book concludes with an essay exploring the near future of the nonprofit sector in the aftermath of the "me generation."

Hammack, D. C. (Ed.). (1998). *Making the nonprofit sector in the U.S.* Bloomington: Indiana University Press.

This book is a collection of essential documents, including interpretations and critiques by recent scholars on the origins and evolution of the nonprofit sector in the United States. This anthology is divided into four primary sections: British and Colonial Patterns, The American Revolution: Sources of the Nonprofit Sector, Uses of Nonprofit Organizations, and Nonprofit Structures for the Twentieth Century. Each section is divided by chronology and subject matter and explores why the United States has funneled most of its formal religious activity through the nonprofit sector. See also Anheier and Hammack's *American Foundations: Roles and Contributions*, and Young and Hammack's *Nonprofit Organizations in a Market Economy: Understanding New Roles, Issues, and Trends.*

Harkavy, D. (2007). *Becoming a coaching leader: The proven strategy for building your own team of champions.* Nashville, TN: Thomas Nelson.

The information in this book revolves around Harkavy's "Core Four Success Puzzle" of developing leaders. Beginning with an in-depth explanation of "what is a coach?" the author then dives into the Core Four and how you can develop as well as inspire others to create their plan. This book would resonate well with anyone who is striving to achieve more success and satisfaction in both their personal and professional lives. Individuals in leadership-management positions would find this book helpful as it serves as a guide to transform the lives of the people they lead and serve.

Hodgkinson, V., & Foley, M. (Ed.). (2003). *The civil society reader*. Hanover, CT: University Press of New England.

This book is an anthology on civil society comprised of 24 readings from individuals who helped shape and define the civil society tradition in Western political thought. The introduction provides a foundation for understanding the complexities of the debate over the conditions of citizenship and the defining qualities of a good society. Writings include excerpts from Aristotle's *The Politics*, Thomas Paine's *Rights of Man*, Peter L. Berger and Richard John Neuhaus's *To Empower People*, and Jean L. Cohen and Andrew Arato's *Civil Society and Political Theory*. See also Schervish, Gates, and Hodgkinson's *Care and Community in Modern Society: Passing on the Tradition of Service to Future Generations*, and Wuthnow and Hodgkinson's *Faith and Philanthropy in America: Exploring the Role of Religion in America's Voluntary Sector.*

Houle, C. O. (1997). *Governing boards: Their nature and nurture*. San Francisco: Jossey-Bass.

Cyril O. Houle is a senior consultant for the W. K. Kellogg Foundation and professor emeritus at the University of Chicago. He has served on more than 30 boards and has written many books. This book serves as a basic yet comprehensive manual for boards. It addresses issues such as the underlying concept behind boards; how to determine, structure, and organize board membership; board procedures and accountability; and external board relationships. It provides insight into

how to successfully manage the full range of challenges facing board members.

Illchman, W. F., Katz, S. N., & Queen, E. L., II (Eds.). (1998). *Philanthropy in the world's traditions*. Bloomington: Indiana University Press.

The 20-odd contributors to this collection argue that far from being a particularly Western phenomenon, philanthropy is a tradition with a worldwide scope, encompassing many different cultures and traditions. Individual essays consider such diverse topics as "Reciprocity and Assistance in Precolonial Africa," "Generosity and Service in Theravada Buddhism," and "The Origins of Modern Jewish Philanthropy." Also addressed are Native Americans, 17th-century China, Islamic philanthropy, and the Serbian Orthodox Church. The collection should be of interest to any student of philanthropy.

Ingram, R. (2009). *Ten basic responsibilities of nonprofit boards.* Washington, DC: BoardSource.

This book explores both the fundamental responsibilities of nonprofit boards and the challenges that those nonprofits and their boards face today. Individual issues considered include determining the board's mission, selecting the chief executive, monitoring programs and services, ensuring adequate financial resources, protecting assets, ensuring legal and ethical integrity, and enhancing the organization's public standing. This is of particular interest to board members and executives.

Jeavons, T., & Basinger, R. B. (2000). *Growing givers' hearts: Treating fundraising as a ministry*. San Francisco: Jossey-Bass.

Thomas H. Jeavons is general secretary of Philadelphia Yearly Meeting of the Religious Society of Friends and was the founding director of the Center on Philanthropy and Nonprofit Leadership at Grand Valley State University. Rebekah Burch Basinger is an independent consultant in fundraising and stewardship education. This book is based on a 3-year study of Christian organizations that have been successful in raising funds and material resources and in encouraging spiritual development in their donors. This book is written primarily for Christian development staff, executives, and board members.

Karoff, H. P. (Ed.). (2004). *Just money: A critique of contemporary American philanthropy.* Boston: TPI Editions.

H. Peter Karoff is the founder of The Philanthropic Initiative and a senior fellow at Tufts University College of Citizenship & Public Service. This book collects the experience and insight of 10 former leaders of large philanthropic foundations, national, community, and corporate. While the experience reflected in these 10 pieces is diverse, the lessons learned and the wisdom gained return again and again to the same ideas: Not only can money be used to do good, but it also can be used to do good well. As a resource to better management of foundations in the future, the book is of most interest to those working with philanthropic organizations.

Karoff, P., & Maddox, J. (2007). *The world we want: New dimensions in philanthropy and social change.* Lanham, MD: AltaMira Press.

Peter Karoff founded the Philanthropic Initiative (TPI) to help donors increase the impact of their philanthropy and at the same time make "giving" more meaningful in their own lives. President of TPI from 1989 to 2002, he is a senior fellow at the College of Citizenship and Public Service at Tufts University. Jane Maddox is an editor and writer at TPI who has worked to help public agencies, companies, and nonprofits communicate their missions, programs, and ideas. This book presents a vision for an ideal work through personal reflections and conversations with more than 40 social entrepreneurs, activists, nonprofit leaders, and philanthropists. It focuses on the value of human connection, the capacity for caring, and citizen engagement.

Kass, A. A. (Ed.). (2008). *Giving well, doing good: Readings for thoughtful philanthropists*. Bloomington: Indiana University Press.

This anthology explores the enterprise of philanthropy and serves as a sequel to Amy A. Kass's first edited anthology of writings on philanthropy, *The Perfect Gift.* It brings together critical texts from the classic to the contemporary and includes speeches, foundation documents, and writings of poets and novelists. Each reading provides guidance to current and prospective donors, trustees and professional staffs of foundations, and leaders of nonprofit organizations. The book is organized thematically, focusing on goals and intentions; gifts, donors, and recipients; grants, grantors, and grantees; bequests and legacies; effectiveness; accountability; and leadership.

Katz, S. N. (2000). *Colonial America: Essays in politics and social development*. New York: McGraw-Hill.

This is an anthology of readings by some of the most highly regarded scholars in the field of early American history. It focuses on the British colonies in North

America, presenting current research from colonial historians on topics ranging from abortion and gender roles and social and political organization to early religion and early contact with Native Americans.

Kim, D., & Cory, D. (2004). *It begins here: Organizational learning toolkit*. Singapore, Republic of Singapore: Cobee Trading.

It Begins Here provides an overview of several useful tools divided into four sections. The Organizing Framework section includes two tools that can be used to describe the organization's theory of success and its capabilities to support organizational learning. The Aspiration section discusses the Creative Tension Model and the Hierarchy of Choices Model, which help to discuss personal mastery and shared vision. In the Generative Conversation section, 11 different models are demonstrated to facilitate the understanding of mental models and team learning. Finally, the Understanding Complexity section discusses 11 models to further systems thinking. This book is for nonprofit leaders from executive directors and board members to program staff that desire to better understand how their nonprofit can engage in organizational learning.

Kleiner, A., Roberts, C., Ross, R., Roth, G., Senge, P., & Smith, B. (1999). *The dance of change: The challenges to sustaining momentum in learning organizations.* New York: Doubleday.

This book can be considered a follow-up to the 1990 bestseller *The Fifth Discipline* in which Peter Senge brought to light the concept of the *learning organization* and how personal mastery and systems thinking are vital to the success of an organization. This book dives deeper into the concept by explaining how to sustain the changes described in *The Fifth Discipline*. The authors outline potential obstacles to organizational learning and propose ways to turn these obstacles into sources of improvement. This book would resonate well with management wanting to drive and sustain positive change within their organization to make it a more worthwhile place to work.

Knowlton, L., & Phillips, C. (2009). *The logic model guidebook.* Thousand Oaks, CA: Sage.

The Logic Model Guidebook offers a thorough description of the various thinking and planning skills needed for the logic modeling process. The authors examine the structures and the processes of logic modeling. This serves as an instrument to develop and implement change in programs within a variety of organizational contexts. By offering step-by-step guidance and visual examples of how to develop, design, and revise logic models, the authors prepare students, researchers, and practitioners to critically think about the programs and initiatives that their organizations are conducting. This guidebook serves as a great tool to increasing the efficiency of programs and services that nonprofit organizations are performing.

Kunreuther, F. (2008). *Working across generations: Defining the future of nonprofit leadership*. Hoboken, NJ: John Wiley & Sons.

This book specifically deals with the nonprofit sector and the generational workforce phenomenon. Kunreuther offers insight on how to communicate across generations and ensure that organizations make a smooth leadership transition. The author also provides good context for the differences about generations and why organizations will change based on these differences.

La Piana, D. (2000). *Nonprofit mergers workbook: The leader's guide to considering, negotiating, and executing a merger.* Saint Paul, MN: Amherst H. Wilder Foundation.

This text walks nonprofits through mergers from the earliest stages of planning through implementation and funding. It includes chapters on internal self-assessment for nonprofits, assessment of potential partners, potential difficulties associated with mergers, and negotiation strategies. Also included are case studies, checklists, resources, and decision trees. This text is of interest, especially, to those working within nonprofits who might consider or who might benefit from a merger with another organization. See also La Piana's *Nonprofit Strategy Revolution: Real Time Strategic Planning in a Rapid Response World.*

La Piana, D. (2008). *Nonprofit strategy revolution: Real-time strategic planning in a rapid-response world.* Saint Paul, MN: Fieldstone Alliance.

David La Piana is an expert on partnerships among nonprofit organizations, known for his work to improve leadership and management practices throughout the nonprofit sector for greater social impact. This book introduces the concept of real-time strategic planning, a fluid, organic process that engages staff and board in a program of systematic readiness and continuous responsiveness. It provides readers with the tools to clarify competitive advantages, develop criteria for evaluating strategies, handle big issues effectively, develop and test strategies, and implement and adapt strategies on a continuous basis. See also *La Piana's Nonprofit Mergers*

Workbook: The Leader's Guide to Considering Negotiating and Executing a Merger.

Light, P. C. (2002). *Pathways to nonprofit excellence.* Washington, DC: Brookings Institution.

Paul C. Light is a professor at New York University's Wagner School of Public Service, a senior fellow at the Brookings Institution, and a former grantmaker and presidential adviser. This volume is the fourth in a series of reports regarding the changes in what public service means both within the government and the nonprofit sector. It is based on interviews with 250 leaders on philanthropy, scholarship, and consulting and interviews with 250 executive directors from some of the most effective nonprofits in the United States. The author argues that higher performance can be achieved using one of several strategies and that every nonprofit organization can improve how they are currently performing.

Lohmann, R. A. (1992). *The commons: New perspectives on nonprofit organizations and voluntary action.* San Francisco: Jossey-Bass.

Roger A. Lohmann is a professor and director at West Virginia University–Nova Institute. He formerly served as the editor in chief at Nonprofit Management & Leadership. This article presents the concepts of "commons" and common goods as having critical multidisciplinary implications. Commons refers to uncoerced participation, mutuality, and shared purposes and resources.

Mahwah, B., & Avolio, J. (2005). *Leadership Development in Balance: Made/Born*. Mahwah, NJ: Lawrence Erlbaum.

A valuable contribution to the field of leadership development—the book is a good reflective piece for practitioners. The author notes how leadership development happens within one's life and is often facilitated by "trigger events." He encourages a process of Advanced Action Review (AAR), that is, reflection or personal debriefing on the effects of one's actions. He defines leadership as "influencing people to achieve some particular targeted objective." He shows how the leader may tend to use one of four lenses to view these events: control, quid pro quo, stakeholder, and transformation. There is material on trust building, "e-leadership," measuring the impact of leadership programs, and distinguishing among passive-avoidant, corrective, transactional, and transformational leadership. His model of leadership development asserts the need for leaders to grow in self-awareness, self-regulation, and self-development.

Maxwell, J. C. (1991). *The 21 irrefutable laws of leadership: Follow them and people will follow you.* Nashville, TN: Thomas Nelson.

The book will help you understand that leaders are made. The 21 laws will help you become a person people want to follow. The author also uses some examples of leaders' intriguing stories about their leadership experiences, such as Princess Diana, Ray Kroc, and Theodore Roosevelt, who used these leadership principles to achieve great success in their lives and had a major impact on the lives of many other people. Leadership in this book is made simple, but its powerful effect is demonstrated through these illustrations. It is full of direction and encouragement and the hope that with these procedures, students and professionals may learn and apply these timeless principles.

Maxwell, J. C. (1998). *Developing the leaders around you*. Nashville, TN: Thomas Nelson.

This book is about helping others reach their potential. Developing a leader means knowing the leadership within you. John Maxwell shows how to train and develop an eye for potential leaders. The message of the book is for any person—an individual can't lead alone. If a person really wants to be a leader, that is, to have power to influence others, he or she must develop other leaders around him or her by establishing a team. The author details how to help others reach their full potential and how to identify and train potential leaders in order to get a personal vision seen. Leaders are made, not born. Maxwell also indicates that leadership grows from mentoring relationships and helping others.

McCarthy, K. (2009). *The on-purpose person—Making your life make sense*. Winter Park, FL: On-Purpose Publishing.

This book is for anyone who has ever felt like his or her life is being pulled in too many directions. The content presents principles that are easy to apply to everyday life in short story format that is entertaining to read. Various topics include how to feel satisfied rather than stressed out at the end of the day, finding meaningful personal time, and managing hurdles and setbacks in a positive light as well as how to tap into your highest potential. This book would resonate with all who feel as though their personal and professional schedule-calendars are out-of-control and who need additional focus in their lives to accomplish more of what is important to them. This book would be particularly helpful for managers who have an overwhelming

amount of work on their plate and have difficulty maintaining a work-life balance.

McNamara, C. (2003). *Field guide to leadership and supervision for nonprofit staff.* Minneapolis, MN: Authenticity Consulting.

This is a guide that offers advice for how to recruit the best staff and volunteers for a nonprofit, as well as for how to work with a board. It considers the role of a nonprofit leader and looks at the day-to-day challenges typically faced in such a position. It offers instruction for how to lead, how to collaborate, and how to manage your staff and yourself. It is of particular interest to founders, executive directors, and managers of nonprofits. See also McNamara's *Field Guide to Developing, Operating and Restoring Your Nonprofit Board* and *Field Guide to Nonprofit Program Design, Marketing and Evaluation.*

McNamara, C. (2008). *Field guide to developing, operating and restoring your nonprofit board*. Minneapolis, MN: Authenticity Consulting.

This text offers guidelines and advice for planning, starting, and maintaining nonprofit boards. Issues considered include marketing, staffing, finances, fundraising, evaluations, transparency, sustainability, and lobbying. The author specifically addresses ways to detect and fix broken boards, as well as how to define how much board members should be involved in management, whether or not committees should be used, how to establish appropriate goals for committees, and how to ensure ethical behavior of board members. This is of interest to those who manage or serve on boards. See also McNamara's *Field Guide to Leadership and Supervision for Nonprofit Staff* and *Field Guide to Nonprofit Program Design, Marketing and Evaluation.*

McNamara, C. (2008). *Field guide to nonprofit program design, marketing and evaluation.* Minneapolis, MN: Authenticity Consulting.

This book provides guidelines for designing, marketing, and evaluating a nonprofit program. In addition to the guidelines, the book includes worksheets to help a nonprofit develop marketing, advertising, promotion, fundraising, and business plans. It includes a section on how to conduct market research and how to analyze the data collected. It is of interest to managers of nonprofits, members of boards of nonprofits, and those who donate to nonprofits. See also McNamara's *Field Guide to Leadership and Supervision for Nonprofit Staff* and *Field Guide to Developing, Operating and Restoring Your Nonprofit Board.*

Nielsen, W. A. (1996). *Inside American philanthropy: The dramas of donorship*. Norman: University of Oklahoma Press.

In this book, an analysis of American philanthropic institutions, the author looks at both historical and contemporary philanthropists from Andrew Carnegie to Bill Gates and from Warren Buffett to small family foundations. He also considers what he calls "The Forgotten History" and devotes an entire chapter to "Women in Philanthropy." As he argues for the true importance of individual organizations' founders and the deeply personal factors that drive their charitable decisions, he points out the numerous ways foundations have both succeeded and failed, the common pitfalls and the inspirational triumphs. The book will be of interest to both established donors and potential foundation creators, as well as nonprofit advisers and fundraisers.

Nielsen, W. (2002). *Golden donors: A new anatomy of the great foundations*. New Brunswick, NJ: Transaction.

Waldemar Nielsen is a counselor on philanthropy policy. He has served as an adviser to individuals such as John D. Rockefeller III and to major corporations and foundations. This book updates his study of the 36 largest private foundations in the United States. For each foundation, he provides information on the donor as an individual, the foundation's management, and the development of the foundation's mission and programs. The stories about each foundation provide insight into which foundations have been successes and which have failed in recent years and into how the federal government and administrations are helping or hindering their success.

Noonan, W. R. (2007). *Discussing the undiscussable: A guide to overcoming defensive routines in the workplace.* San Francisco: Jossey-Bass.

There has been significant research around how well-meaning, smart people can create vicious cycles of defensive behavior to protect themselves from embarrassment and threat, particularly by well-known author Chris Argyris. This book dives deeper into Argyris's work by providing a set of "how to" exercises for detecting, surfacing, and discussing organizational defensive routines in a safe and productive way. This book would resonate with individuals working in a "defensive environment" where addressing challenging issues is an uncomfortable and, in some cases, nonexistent, process.

Northouse, P. G. (2004). *Leadership: Theory and practice*. Thousand Oaks, CA: Sage.

The author defines leadership as "a process whereby an individual influences a group of individuals to achieve a common goal." The book offers a good review of 10 theoretical approaches to analyzing leadership: trait, skills, style, situation, contingency, path-goal, leader-member exchange, transformation, team, and psychodynamic. Northouse also discusses gender factors and the ethics of leadership useful for today's managers, practitioners, researchers, and students.

O'Connell, B. (1987). *Philanthropy in action*. New York: Foundation Center.

This text considers American philanthropical institutions and individuals and assesses what they have done, as well as the manner in which they have done it. Although he labels and addresses nine different goals of philanthropical activity, including to improve communities and to honor the deceased, he argues, ultimately, for the primacy of two: to maximize human potential and to relieve human misery. The book is simultaneously a defense of and celebration of philanthropy in America. See also O'Connell's *Powered by Coalition: The Story of Independent Sector, Civil Society: The Underpinnings of American Democracy,* and *Fifty Years in Public Causes: Stories From a Road Less Traveled.*

O'Connell, B. (1997). *Powered by coalition: The story of independent sector.* San Francisco: Jossey-Bass.

In this book, activist, professor, and author Brian O'Connell recounts the founding of Independent Sector, a huge coalition of over 800 foundations, institutions, philanthropic organizations, and corporate giving programs. In addition to the story of how the coalition came together, the challenges overcome in order to remain together, and what it managed to accomplish through cooperation and collaboration, O'Connell also considers the current and future threats to the independent sector in America and includes lessons in building and maintaining large, diverse coalitions. This book will be of interest to those in positions of power within volunteer organizations or coalitions of such organizations, as well as those who study such coalitions. See also O'Connell's *Philanthropy in Action, Civil Society: The Underpinnings of American Democracy,* and *Fifty Years in Public Causes: Stories From a Road Less Traveled.*

O'Connell, B. (1999). *Civil society: The underpinnings of American democracy*. Hanover, CT: University Press of New England.

In this book, activist, professor, and author Brian O'Connell argues that active citizen participation is essential to a strong democracy. Such active citizen participation creates what he calls *civil society*, a society that shares power and responsibility between communities, government, businesses, and volunteer organizations. Civil society, according to O'Connell, is threatened—by government action, by increasing wealth disparity, and by elected officials more attune to lobbyists and special interest groups than their constituents. O'Connell presents solutions to these problems and steps to strengthen civil society, including educating the country's youth on citizens' rights and responsibilities and drawing on the country's tradition of service. Those working in community organizations or serving as elected officials or studying the current state of civil society, will find this book of interest. See also O'Connell's *Philanthropy in Action, Powered by Coalition: The Story of Independent Sector* and *Fifty Years in Public Causes: Stories From a Road Less Traveled.*

O'Connell, B. (2005). *Fifty years in public causes: Stories from a road less traveled.* Lebanon, NH: Tufts University Press.

In this memoir, activist, professor, and author Brian O'Connell writes of his life in philanthropy, public work, and civic action. He includes stories from his time as head of the Mental Health Association and the Independent Sector, a coalition he cofounded with John W. Gardner that advocated for voluntary initiative and philanthropy. In addition to the stories of how much can be accomplished by motivated, dynamic individuals and organizations, O'Connell includes what he sees as the important lessons to pass on to the next generation of activists, organizers, and volunteers. See also O'Connell's *Philanthropy in Action, Powered by Coalition: The Story of Independent Sector,* and *Civil Society: The Underpinnings of American Democracy.*

Odendahl, T. J., Boris, E. T., & Daniels, A. K. (1985). *Five experienced grantmakers at work*. New York: Foundation Center.

This book presents the results of a study regarding the career paths of foundation employees and is a valuable primer on the various levels of grantmaking jobs. It provides an overview of the roles, responsibilities, and career paths and explores the culture of various foundations with a particular focus on a comparison between men and women working in the field.

O'Leary, R.. (2006). ***The ethics of dissent: Managing guerrilla government.*** **Washington, DC: CQ Press.**

The author composes a compelling synthesis of the effect of guerrilla government on democracy by analyzing case studies and delving into this under the discussed topic of managers. This is a great contribution to public administration to help better understand the distinction between dissent and commitment to public service. This author gives a glimpse of what happens in the real working world. The book is most interesting when she combines theory and practice. It also provides a list of professional workplace ethical standards. This is eye opening and compelling not only for students and managers of both public and private organization but also for political figures.

O'Neill, M. (1989). ***The third America: The emergence of the nonprofit sector in the United States.*** **San Francisco: Jossey-Bass.**

This book explores the major nonprofit subsectors and describes the concerns, trends, funding and policy issues, and historical context and development of each. Chapters address the role of various institutions in the nonprofit sector, including religion, health care, education, arts and culture, and legal services. This book would be of value to both scholars in the field, interested in a clear synthesis of academic developments, and students, teachers, and those new to the field, who will find clear, concise information on key nonprofit sector issues. See also O'Neill's *Nonprofit Nation: A New Look at the Third America.*

O'Neill, M. (2002). ***Nonprofit nation: A new look at the third America.*** **San Francisco: Jossey-Bass.**

This book attempts to provide a complete guide to understanding the public sector. O'Neill looks at the different nonprofit subsectors—social services, religious organizations, and health care, for example—and considers their influence on government, business, and society. After considering the public sector in its contemporary context, O'Neill presents possibilities for the role and growth of nonprofits for the next 25 years. This should be of interest to those who study the nonprofit sector, as well as to those who work within the public sector and are considering how to maintain and grow their organizations. See also O'Neill's *The Third America: The Emergence of the Nonprofit Sector in the United States.*

Orosz, J. J. (2000). ***The insider's guide to grantmaking.*** **San Francisco: Jossey-Bass.**

Joel Orosz is the senior program director in the Philanthropy and Volunteerism programming area of the W. K. Kellogg Foundation in Battle Creek, Michigan. In this guide, he provides a practical overview of the necessary skills for successful and ethical grantmaking. It provides a history of public foundations, as well as their function in society. It also looks at the day-to-day activities of program officers and offers advice on the wide variety of challenges they face. It's written primarily for this audience but is also of great value for other grant seekers. See also Orosz's *Effective Foundation Management: 14 Challenges of Philanthropic Leadership—And How to Outfox Them.*

Orosz, J. J. (2007). ***Effective foundation management: 14 challenges of philanthropic leadership—And how to outfox them.*** **Lanham, MD: AltaMira Press.**

In *Effective Foundation Management,* the author presents "seven challenges" and "seven dilemmas" facing contemporary nonprofit foundations. It considers, for example, the problem of a lack of ideological cohesion within a foundation's staff and lack of an accepted body of good practices within a foundation. It also attempts to respond to questions foundations might face such as whether to be expert based or community based, or whether to be high profile or low profile, or whether a foundation's energy should be turned toward innovation or implementation. The book is especially helpful for foundation managers, but anyone working within the nonprofit sector should find it of value. See also Orosz's *The Insider's Guide to Grantmaking.*

Pallotta, D. (2008). ***Uncharitable: How restraints on nonprofits undermine their potential.*** **Hanover, CT: University Press of New England,**

Dan Pallotta founded Pallotta Team-Works, the for-profit company that created the AIDS Rides and Breast Cancer 3-day events, which raised over half a billion dollars and netted $305 million in 9 years. This book is the author's response to media reports and other attacks questioning the act of spending so much money to raise money and the violation of the premise behind charitable organizations: low profile, low budget, and little or no profit. The book calls into question the fundamental canons of charity and argues that nonprofits must be allowed to use the tools of commerce to thrive and accomplish their missions.

Payton, R. L., & Moody, M. P. (2008). ***Understanding philanthropy: Its meaning and mission.*** **Bloomington: Indiana University Press.**

Robert L. Payton served as the first director of the Center on Philanthropy at Indiana University. Michael Moody is assistant professor in the School of Policy, Planning, and Development at the University of Southern California. Together, they have written a book that explores both why philanthropy exists and what place it has in society. They draw on a wide range of examples, from the Good Samaritan to contemporary student volunteers, to make their case that philanthropy is action, voluntary moral action. The book also serves as an argument for further study of philanthropy and the incorporation of philanthropy into college curricula. The book will be of interest to both students of philanthropy and professionals, and grant seekers and grantmakers alike.

Peters, T., & Waterman, B. (2001). ***Disney Institute "Be our guest"—Perfecting the art of customer service.*** **New York: Disney Editions.**

This book outlines the various principles and processes on which the Disney company has built its worldwide empire, specifically around perfecting the art of customer service. The strategies, tactics, and real-life examples presented are geared toward helping an organization focus its vision and assemble its people and systems with a cohesive strategy that focuses primarily on the concept of "exceptional customer service." This book would resonate with managers or leaders wishing to enhance the understanding and implementation of superior customer service.

Putnam, R. D. (1993). ***Making democracy work: Civic traditions in modern Italy.*** **Princeton, NJ: Princeton University Press.**

Putnam, a Harvard professor, asks in this book why some democratic governments succeed while others fail. To answer his question, he addresses a 1970 experiment in which Italy created new governments for each of its regions. His findings are far-reaching: A strong democratic government depends on a solid civic community and a virtuous citizenry; weak governments tend not to create wealth but to preserve poverty. He argues that civic community is created more by "secondary associations" and not so much by the central government. This book will be of interest to those studying the creation and preservation of democracy. See also Putnam's *Bowling Alone: The Collapse and Revival of American Community.*

Putnam, R. D. (2000). ***Bowling alone: The collapse and revival of American community.*** **New York: Simon & Schuster.**

Harvard professor Robert Putnam argues in this book that Americans since 1960 have become increasingly disconnected from one another and their communities. Drawing on surveys and interviews, Putnam explores the various ways in which civic involvement in America has changed over the last quarter century. He argues that social engagement is a cause of, not a result of, social circumstances. In the second half of the book, Putnam addresses the negative consequences of America's social disengagement and concludes by looking at the large social movements of the early part of the 20th century and considering what the country needs to restore a sense of social engagement and community. This book will be of interest to sociologists and academics studying patterns of social engagement, community activism, and philanthropy. See also Putnam's *Making Democracy Work: Civic Traditions in Modern Italy.*

Pynes, J. E. (2004). ***Human resources management for public and nonprofit organizations*** **(2nd ed.). San Francisco: Jossey-Bass.**

Human resources are essential to any organization, and understanding this field better will promote a more successful organization. Joan Pynes describes how strategic human resource management is critical to the ever-changing environment that nonprofits face. This edition offers guidance on budgeting and compensation. It also assists practitioners in navigating the current legal and technological challenges.

Quinn, R. E., Faerman, S. R., Thompson, M. P., McGrath, M., & St. Clair, L. S. (2007). ***Becoming a master manager: A competing values approach*** **(4th ed.). Hoboken, NJ: John Wiley & Sons.**

The book emphasizes the importance of managerial skills, which are imperative in the diverse situations and challenges we face in the organization. It also focuses on the management practices and organization of those practices in a theoretically valid framework of managerial competency with the knowledge and application of the four critical actions: compete, collaborate, control, and create. Students in nonprofit and public administration as well as students of business administration, will find tools to assist them in understanding their competing values by learning the eight interactive learning modules covering different leadership roles, including director, producer, mentor, facilitator, coordinator, monitor, innovator, and broker.

Reinelt, C., Foster, P., & Sullivan, S. (2002). ***Evaluating outcomes and impacts: A scan of 55 leadership development programs.*** **Brookline, MA: Development Guild/DDI.**

The authors present a typology of outcomes for leadership development programs, including outcomes at the individual, organizational, community, field, and systemic levels. They present a range of methods and approaches for conducting program evaluation, sources of information for evaluations, and challenges faced by evaluators. Over 54 leadership programs were evaluated. Not only practitioners and managers in private corporations but also students in public administration will be benefitted by this book.

Robbins, D. (2009). *Understanding Research Methods: A Guide for the Public and Nonprofit Manager.* Boca Raton, FL: CRC Press.

Many leaders in organizations are faced with quickly reviewing large amounts of information and are asked to use what they learn to make informed decisions. These decisions may have lasting implications for organizations. Learning how to quickly and thoroughly go through massive amounts of information is a skill that leaders need to learn. Discerning valuable information is a vital skill of decision making. This useful text can be used by students and professionals in the nonprofit, public, and private sectors.

Rosso, H. A. (1991). *Achieving excellence in fund raising: A comprehensive guide to principles, strategies, and method.* San Francisco: Jossey-Bass.

Henry A. Rosso is the founder of The Fund Raising School, a program of the Center on Philanthropy at Indiana University. This is a guide to successful fundraising. The author considers each step in a successful fundraising cycle: assessing needs, setting goals, researching markets, soliciting new donors, and encouraging repeat donors. At every step, Rosso considers the reasoning behind the strategies and the principles behind the techniques. This book will be of interest to anyone involved in public-sector fundraising. See also *Rosso on Fund Raising: Lessons from a Master's Lifetime Experience*.

Rosso, H. A. (1996). *Rosso on fund raising: Lessons from a master's lifetime experience.* San Francisco: Jossey-Bass.

Henry A. Rosso is the founder of The Fund Raising School, a program of the Center on Philanthropy at Indiana University. In this book, Rosso identifies the five essential steps of fundraising: analysis, planning, execution, control, and evaluation. Considering case studies and real-life examples, Rosso offers insights from his five decades of experience fundraising for nonprofits. It should be of interest to anyone involved in public-sector fundraising. See also Rosso's *Achieving Excellence in Fund Raising: A Comprehensive Guide to Principles, Strategies, and Methods.*

Salamon, L. M. (1999). *America's nonprofit sector: A primer.* New York: Foundation Center.

Lester M. Salamon is the director of the Johns Hopkins Center for Civil Society Studies. In this book, Salamon considers the structure, scope, and the evolving role of nonprofits in society. By putting the nonprofit sector in context with the government and business sector, he shows how the nonprofit sector has changed over time. He looks at the role of nonprofits in health care, education, legal service, international aid, recreation, advocacy, and social services. He also includes material on different types of tax-exempt institutions and foundations. This book is of interest to anyone working within or interested in the nonprofit sector. See also Salamon's *The Resilient Sector: State of Nonprofit America.*

Salamon, L. M. (2003). *The resilient sector: State of nonprofit America.* Washington, DC: Brookings Institution Press.

Lester M. Salamon is the director of the Johns Hopkins Center for Civil Society Studies. In this book, Salamon assesses the state of nonprofit institutions today—their significance, impact, health, and future—and considers the changes that might be necessary to ensure the long-term security of those institutions. In considering the challenges that nonprofits face today, Salamon discusses competition, the fiscal health of nonprofits, staffing issues, and the effect on nonprofits of evolving technology. In considering achievements and opportunities, Salamon looks at overall nonprofit sector growth, the dramatic changes in charitable fundraising over the last 2 decades, and the influence of market culture on nonprofit institutions. This book is of interest to both academic students of the nonprofit sector and nonacademic participants in that sector. See also Salamon's *America's Nonprofit Sector: A Primer.*

Schein, E. H. (2004). *Organizational culture and leadership.* San Francisco: Jossey-Bass.

This book focuses on the crucial role that leaders play in helping to implement the principles of culture in order to reach organizational goals. The author goes on to show readers how to identify, nurture, and shape the culture of their organizations at any stage and thus presents new practices and information from the field. Key focus areas are understanding team and organizational dynamics, influence of new technology, managing cross-cultural boundaries as well as data relative to overcoming resistance to internal change. This content would be informative to anyone in a leadership position who desires to create and maintain a strong organizational culture that rewards and encourages the collective effort.

Schervish, P. G. (Ed.). (1994). *Wealth in Western thought: The case for and against riches.* Westport, CT: Praeger.

This text is based on a series of discussions held at an interdisciplinary seminar at Boston College in 1989 and 1990. These essays explore America's contemporary "doctrine of wealth" by considering such diverse source material as Ancient Greece, the New Testament, and modern philanthropical organizations. Together, the individual essays, and the collection as a whole, attempt to frame a new debate on wealth and the wealthy in America. See also other books by Schervish: *Taking Giving Seriously: Beyond Noble Intentions to Responsible Giving* (with Dean and Sherman); *Care and Community in Modern Society: Passing on the Tradition of Service to Future Generations* (with Gates and Hodgkinson); *Gospels of Wealth: How the Rich Portray Their Lives* (with Lewis and Coutsoukis); and *Wealth and the Will of God: Discerning the Use of Riches in the Service of Ultimate Purpose* (with Whitaker).

Schervish, P. G., Dean, P., & Sherman, L. (Eds.). (1993). *Taking giving seriously: Beyond noble intentions to responsible giving.* Bloomington: Indiana University Center on Philanthropy.

In this collection of academic and personal essays, authors consider how to share resources—money and time, for example—wisely and justly. See also other books by Schervish: *Wealth in Western Thought: The Case for and Against Riches; Care and Community in Modern Society: Passing on the Tradition of Service to Future Generations* (with Gates and Hodgkinson); *Gospels of Wealth: How the Rich Portray Their Lives* (with Lewis and Coutsoukis); and *Wealth and the Will of God: Discerning the Use of Riches in the Service of Ultimate Purpose* (with Whitaker).

Schervish, P. G., Gates, M., & Hodgkinson, V. (Eds.). (1995). *Care and community in modern society: Passing on the tradition of service to future generations.* San Francisco: Jossey-Bass.

This is a collection of 22 essays by scholars and practitioners regarding how the traditions of a caring society are transferred to future generations. It explores how people become involved and committed to caring for others and the impact such care has on our civic, ethical, and spiritual traditions. Contributors represent a cross-section of disciplines including psychology, religious studies, and public policy and leadership from within community organizations, youth groups, and the government. The essays examine topics such as involving children in philanthropy and volunteerism, an exploration of leadership education in the United States, and how institutions impact the evolution of a caring society. This book would be of interest to scholars, nonprofit executives, fundraisers, and students. See also other books by Schervish: *Wealth in Western Thought: The Case for and Against Riches; Taking Giving Seriously: Beyond Noble Intentions to Responsible Giving* (with Dean and Sherman); *Gospels of Wealth: How the Rich Portray Their Lives* (with Lewis and Coutsoukis); and *Wealth and the Will of God: Discerning the Use of Riches in the Service of Ultimate Purpose* (with Whitaker).

Schervish, P. G., Lewis, E., & Coutsoukis, P. E. (Eds.). (1994). *Gospels of wealth: How the rich portray their lives.* Westport, CT: Praeger.

This collection of essays attempts to develop a new sociology of wealth, one that goes beyond traditional theories. Its individual chapters allow 12 different Americans to explore, relatively directly, how their financial and spiritual lives intertwine. Chapters such as "What It's Really Like to Be Born Rich" and "Them With the Gold Makes the Rules" offer opportunities for academics in sociology, philanthropy, economic life, and cultural studies to consider a new theoretical framework for understanding wealth and the wealthy. See also other books by Schervish: *Wealth in Western Thought: The Case for and Against Riches; Taking Giving Seriously: Beyond Noble Intentions to Responsible Giving* (with Dean and Sherman); *Care and Community in Modern Society: Passing on the Tradition of Service to Future Generations* (with Gates and Hodgkinson); and *Wealth and the Will of God: Discerning the Use of Riches in the Service of Ultimate Purpose* (with Whitaker).

Schervish, P. G., & Whitaker, A. K. (2010). *Wealth and the will of God: Discerning the use of riches in the service of ultimate purpose.* Bloomington: Indiana University Press.

Schervish and Whitaker, professors at Boston College, consider in this book the various Christian spiritual resources that might aid in reflection on wealth and charity. The text begins with Aristotle before moving on to early Christian thinkers, as well as Luther, Calvin, and Jonathan Edwards. The individual chapters should inspire contemporary readers to consider the purpose of love, charity, friendship, and human life. It also looks at ways to connect what we can know about the spiritual foundations of charity with contemporary social needs. See also other books by Schervish: *Wealth in Western Thought: The Case for and Against Riches; Taking Giving Seriously: Beyond Noble Intentions to Responsible Giving* (with Dean and Sherman); *Care and Community in Modern Society: Passing on the Tradition of Service to Future Generations* (with Gates and Hodgkinson); and *Gospels of Wealth: How the Rich Portray Their Lives* (with Lewis and Coutsoukis).

Senge, P. M. (1990). *The fifth discipline: The art and practice of the learning organization.* Garden City, NY: Doubleday.

Peter Senge is the founder of the Center for Organizational Learning at MIT's Sloan School of Management. In this book, he explains methods for converting companies into "learning organizations." He covers the "five disciplines" of such organizations, including "personal mastery," "team learning," and "systems thinking" (the fifth discipline itself). He also explores the problems currently facing companies and their employees and covers his "eleven laws of the fifth discipline," including his assertions that behavior may grow worse before it grows better and that, sometimes, the cure is worse than the disease. It will be of interest to executives of both nonprofit and for-profit organizations looking for new ways to understand their organizations' habits, performance, and future.

Shafritz, J. M., Ott, J. S., & Jang, Y. S. (2005). *Classics of organization theory* (6th ed.). Belmont, CA: Harcourt College.

The *Classics of Organization Theory* is a collection of important works in organization theory written by some of the most influential authors in the field. Within this compilation are works that have stood the test of time and that tell the history of organization theory through the words of great theorists. It is meant to help those new to the field of organization theory understand and appreciate the important themes and perspectives that these theories present. Every chapter focuses on one major perspective or "school" of organization theory. This helps readers learn the theories one perspective at a time. This is a reader-friendly book of theories that have been not only shortened from previous editions but also edited to help readers focus on the central ideas that make these works classics. *The Classics of Organization Theory* is meant for students, those new to the field, and people who want to be refreshed in the organization theory classics.

Simmons, A. (2006). *The story factor—Inspiration, influence, and persuasion through the art of storytelling.* New York: Perseus Books Group.

In this revised edition of the original 2001 version, the author revisits with readers her concept that "the oldest tool of influence is also the most powerful." The book showcases over 100 examples of effective storytelling drawn from business and governmental sectors as well as myths, fables, and parables from all over the world. The author uses these examples to show how the story can be used to persuade, motivate, and inspire in ways that cold facts, bullet points, and directives cannot. The book's step-by-step storytelling guide reveals how an ancient art can achieve very modern goals in today's society. Key bits of information included in the book's content include the definition of a story, how to tell a good story, story listening as a tool of influence, storyteller dos and don'ts, and story thinking as a skill. This book would assist anyone interested in learning about unique and creative ways to influence, motivate, and inspire, specifically through the act of storytelling.

Steinberg, R., & Powell, W. (Eds.). (2006). *The nonprofit sector: A research handbook.* New Haven, CT: Yale University Press.

Walter Powell is professor of education and organizational behavior, sociology, and communications at Stanford University. Richard Steinberg is professor of economics, philanthropic studies, and public affairs at Indiana University–Purdue University Indianapolis. This collection of papers and articles addresses the history and scope of the nonprofit sector, the relationship between nonprofits and the marketplace, key roles played by nonprofits in society, who participates in nonprofits and why, and the mission and governance of nonprofits. The book is of interest to anyone involved in managing a nonprofit or engaged in research on nonprofits.

Summerville, B., & Setterberg, F. (2008). *Grassroots philanthropy*: *Field notes of a maverick grantmaker.* Berkeley, CA: Heyday Books.

Bill Summerville is the founder of Philanthropic Ventures Foundation. Fred Setterberg has coauthored several books on philanthropy. In this book, Summerville, with Setterberg, argues for a new approach to philanthropy. He urges a drastic reduction in the bureaucracy that tends to bog down so many foundations. He asks why, instead of having to climb the mountains of paperwork that characterize traditional philanthropical organizations, philanthropists cannot simply engage with their communities, find individuals who are doing recognizably great work, and fund those projects. He argues that foundations need to stop summing up what's wrong and start acting, quickly, efficiently, and decisively, to create what's right. This book is of interest to community leaders and activists and philanthropists.

Tempel, E. R. (Ed.). (2002). *Understanding donor dynamics: The organizational side of charitable giving: New directions for philanthropic fundraising.* San Francisco: Jossey-Bass.

The individual chapters in this collection cover consideration of such topics as how to build a donor-focused community foundation, how to increase donor loyalty, and the major waves of change affecting philanthropy

in the United States. Together, they reflect a concern with the wants and needs of donors, the growth of philanthropy in the late 20th century, and the evolution of economic theory as it relates to philanthropy. This should be of interest to those studying American philanthropy, as well as nonprofit fundraisers, or those serving as executive officers for philanthropical institutions.

Tempel, E. R. (2003). *Hank Rosso's achieving excellence in fund raising* (2nd ed.). (2003). San Francisco: Jossey-Bass.

Fundraising is a critical component to supporting a successful nonprofit organization. *Hank Rosso's Achieving Excellence in Fund Raising* provides a conceptual foundation for the fundraising profession. This book examines the profession's strategies, principles, and methods and provides advice and tips guided by the fundraising master, Henry A. Rosso. Meant for students interested in fund development, current and potential professionals within the field, and nonprofit organizations, this book is filled with strategies for a vast array of fundraising activities. Providing information on topics such as developing a case for support, approaching donors, managing campaigns, and practicing stewardship, this is a tool that will help professionals develop better fund-development techniques. This book is easy to read and navigate, making it a valuable resource to many current and potential fund-development professionals and nonprofits in the sector.

Tocqueville, A. de. (2000). *Democracy in America: The complete and unabridged volumes I and II.* New York: Bantam Classics.

Democracy in America, first published in 1835 and based on de Tocqueville's travels through the United States in the 1830s, is a study of the national character and government of the early 19th century. He writes of the significant effect of majority rule on the rights and liberties of the individual, as well as the need for elected officials to be not only responsible to their constituents, but also moral and virtuous toward them. Students and scholars of American democracy and the American character will be interested in this collection.

Van Til, J. (2000). *Growing civil society: From nonprofit sector to third space.* Bloomington: Indiana University Press.

Jon Van Til is professor of Urban Studies and Community Planning at Rutgers University. In this text, Van Til argues that the "third space," the part of society occupied by volunteer organizations and the various individuals and groups that work together for the good of that society, is, has been, and will be critical in furthering the common good. Van Til considers the ways these nonprofit (and typically nongovernmental) organizations contribute to the common good and the role he sees them playing, potentially, in the future. See also Van Til's *Mapping the Third Sector: Voluntarism in a Changing Social Economy.*

Van Til, J. (2000). *Mapping the third sector: Voluntarism in a changing social economy.* New York: Foundation Center.

Jon Van Til is professor of Urban Studies and Community Planning at Rutgers University. He attempts, in this book, to define the field of voluntarism in contemporary society and explore the relation of voluntary action to the business sector, the government, and modern households. He recognizes that American society is changing, that the social economy is changing, and attempts to grapple with those changes as they relate to voluntarism. The book will be of most interest to academics in the field. See also Van Til's *Growing Civil Society: From Nonprofit Sector to Third Space.*

Warwick, M. (2008). *How to write successful fundraising letters* (2nd ed.). San Francisco: Jossey-Bass.

Fund development is an important task for nonprofit organizations and Warwick offers advice on how to get results. This book is meant for students wanting to learn about fund development, new professionals in the field, and those wanting to be refreshed on the fundamentals of fundraising. Warwick outlines how to plan campaigns; how to compose, phrase, and punctuate appeals; and how to conduct follow-ups. Providing a vast array of examples and case studies, he offers solid advice and analysis. In addition, Warwick supplies a variety of thank you letters and solicitation letters. This is an effective and easy-to-follow overview of fund development and the steps needed to become successful in fundraising.

Weisbrod, B. A. (2000). *To profit or not to profit: The commercial transformation of the nonprofit sector.* New York: Cambridge University Press.

The book is a great contribution to understanding the trend in nonprofit organizations of adopting the model of for-profit private firms and the consequences of commercialization, including acknowledging the often unseen harmful effects. Nonprofits are becoming increasingly like private firms and the growing financial dependence is moving from charitable donations to commercial sales activity. This book is a coordinated set of studies of the growing tendency of the third sector on user fees and revenue from ancillary activities that do not contribute directly to the organizational mission.

Weisbrod has brought attention to important research that will help us define and understand these new relationships. The book concludes with recommendations for research and public policy.

Wholey, J. S., Hatry, H. P., & Newcomer, K. E. (2004). *Handbook of practical program evaluation* (2nd ed.). San Francisco: Jossey-Bass.

The ability for nonprofit organizations to demonstrate results is increasing in importance to funders. This book offers economical and efficient methods for assessing program results and helps to identify approaches to improve program performance. The handbook is meant for students, professionals in the private, public, and nonprofit sectors, or for those simply wanting to learn more about how to effectively analyze programs. Including methods for analyzing evaluation data, the handbook covers how to select and train evaluators, the standards and ethics involved in evaluation work, and the steps to increasing the usefulness of the evaluation results for program improvement. The handbook also informs the reader on selecting appropriate evaluation designs, how to select data procedures, and the future trends in program evaluation. This is a thorough overview of evaluation and how it can be used.

Wooster, M. M. (2007). *The great philanthropists and the problem of "Donor intent."* Washington, DC: Capital Research Center.

This book addresses the continuing importance of the issue of donor intent and provides insight into how those who create charitable foundations can ensure that their wishes are carried out after their death. The author examines the entrepreneurship and charity of some of the best and least known founding fathers of philanthropy in the United States, including Andrew Carnegie, John D. Rockefeller, and Henry Ford. The book follows those cases in which donor intent was upheld and those in which it was not, including a number of cases in which donor intentions were completely violated. The executive summary provides a concise overview of the book.

Wuthnow, R. (1993). *Acts of compassion*. Princeton, NJ: Princeton University Press.

Robert Wuthnow is Andlinger Professor of Social Sciences and Director of the Center for the Study of American Religion at Princeton. Wuthnow presents case studies and anecdotes from over 2,000 adults he surveyed across the country as he attempts to answer the question of why Americans volunteer. It is neither a history of philanthropy nor an argument for how to improve the function of philanthropical organizations but, instead, an honest attempt to understand different Americans' motives for volunteering their time, energy, and money. It should be of particular interest to students of philanthropy and those active in volunteer work. See also Wuthnow's *Learning to Care: Elementary Kindness in an Age of Indifference.*

Wuthnow, R. (1995). *Learning to care: Elementary kindness in an age of indifference.* New York: Oxford University Press.

Robert Wuthnow is Andlinger Professor of Social Sciences and Director of the Center for the Study of American Religion at Princeton. In this book, Wuthnow asks how we learn to care and how we can inspire caring in others, especially in the young and especially when so many problems seem too vast for an individual to make a difference. In answering his questions, he draws on interviews and national surveys and presents his argument that compassion is learned. As such, he argues that it is through opportunities to volunteer to serve, whether through schools or through religious institutions, that young people develop a sense of the value of service. It is of particular interest to those working within volunteer organizations that work with young people. See also Wuthnow's *Acts of Compassion*.

Wuthnow, R., & Hodgkinson, V. A. (Eds.). (1990). *Faith and philanthropy in America: Exploring the role of religion in America's voluntary sector.* San Francisco: Jossey-Bass.

This collection of essays, originating in a conference sponsored by the Independent Sector, will be of most interest to leaders of nonprofit associations, both religious and secular, as well as to scholars studying such organizations. The collection was written as an attempt to correct what is seen as a flaw in nonprofit study—that is, the general failure to include religious institutions in serious academic considerations of nonprofit institutions. The individual essays cover tax law, history, current case studies, and the potential future of religious nonprofits in order to argue that the theoretical divide between religious and secular nonprofit associations is only that: purely theoretical. See also Hodgkinson and Foley's *The Civil Society Reader,* and Schervish, Gates, and Hodgkinson's *Care and Community in Modern Society: Passing on the Tradition of Service to Future Generations*.

Ylvisaker, P. (1991). *Family foundations now—and forever? The question of intergenerational succession.* Washington, DC: Council on Foundations.

This text is a resource that provides models for the successful operation of family foundations. It also provides different models for how families can negotiate intergenerational succession by considering the roles succeeding generations can play in the administration of a family foundation. It is of particular interest to those within such family foundations or those interested in setting up a multigenerational family foundation. See also Esposito's *Conscience and Community: The Legacy of Paul Ylvisaker.*

Young, D. R. (2003). *Effective economic decision-making by nonprofit organizations*. New York: Foundation Center.

This book is the first publication of the National Center on Nonprofit Enterprise (NCNE). Dennis R. Young is the director of the Nonprofit Studies Program at Stanford University and a former president and founding CEO of NCNE. The book provides practical guidelines for helping nonprofit managers to further their organization's mission while balancing the often competing interests of trustees, funders, government, and staff. It explores different factors of economic decision making including pricing, employee compensation, outsourcing, fundraising costs, investment and expenditure, commercial ventures, institutional collaboration, and Internet commerce. Chapters are based on the work of a task force that deliberated before the NCNE inaugural conference.

Young, D. R. (Ed.). (2006). *Financing nonprofits: Putting theory into practice.* Lanham, MD: AltaMira Press.

This book represents the culmination of 3 years original research and thinking. It is based on the premise that nonprofit finance is fundamentally different than corporate or public-sector finance. It presents the work of many authors, identifying trends and underlying theories in the forms of support available for nonprofits, from individual contributions to debt financing. The editor, Dennis R. Young, director of the Nonprofit Studies Program at Stanford University and a former president and founding CEO of the National Center on Nonprofit Enterprise, weaves these writings together into a comprehensive theory of nonprofit finance and offers a set of principles for guiding the development of nonprofit portfolios. This book will be of interest to nonprofit CEOs, CFOs, trustees, and to scholars and students of nonprofit finance.

Young, D. R., & Hammack, D. C. (Eds.). (1996). *Nonprofit organizations in a market economy: Understanding new roles, issues, and trends.* Hoboken, NJ: John Wiley & Sons.

This collection of essays explores nonprofit organizations and how they function in a market economy. Contributors address topics such as nonprofit organizations as alternatives and complements in a mixed economy, trade associations in the American political economy, how and why nonprofit organizations obtain capital, and what nonprofits and businesses can learn from each other. The target audience for this work includes administrators and policymakers. See also Anheier and Hammack's *American Foundations: Roles and Contributions* and Hammack's *Making the Nonprofit Sector in the U.S.*

Journal Articles on Nonprofit Leadership

Clegg, S. R. (1992). Postmodern management? *Journal of Organizational Change Management, 5*, 31–50.

"Postmodern Management?" is a contextual and cross-cultural look at organizational structures and methods for dealing with change in Japan in comparison to the Western world. It claims that the Western world is centered in a modernist organizational structure that emphasizes unified theories rooted in class struggle, market forces, and classism while the Japanese model can be described as postmodern, focusing more on economic calculation, worker-centered strategy, and long-term goal investment. While the West is focused on growth and strategy, Japan, the author argues, is more focused on the organization as a learning collective worth investing in for core competency over capital gains. The article is written in a typically postmodern style with cultural references and wide historical scope. Its usefulness is in the depth of its cross-cultural analysis as a method of exploring alternatives to Western institutional paradigms.

Cline, K. D. (2000). Defining the implementation problem: Organizational management versus cooperation. *Journal of Public Administration Research and Theory, 10*, 551–571.

Tackling the area of public policy implementation, Cline analyzes two implementation models to determine which strategy is best for nonprofits and how this affects the way change is approached. Using Goggin and colleagues' communication model, which focuses on the organization management side of strategy, and the implementation regime framework, which prizes achieving cooperation, Cline evaluates implementation strategy based on 4 criteria. These include top-down versus bottom-up structure, the role of communication, level conflict or cooperation, and applicability to networks. His results show that the cooperation model works better in the nonprofit sector. Without a systematic understanding of the implementation of change, nonprofits will be blocked from moving forward with policies and programs. This article provides insight into the ways in which implementation studies can streamline the process.

Ferres, N., & Connell, J. (2004). Emotional intelligence in leaders: An antidote for cynicism towards *change? Strategic Change, 13*, 61–71.

Ferres and Connell focus on the emotional intelligence needed by leaders to reduce the level of employee cynicism and resistance to organizational change. They take a historical approach, summarizing challenges to change in organizations over the last 100 years. This is followed by a survey of employees to test the hypothesis that managers who are emotionally intelligent have reduced levels of change cynicism among their staffs. They define emotional intelligence using Goleman's ideas, stating that it is characterized by self-awareness, emotional recognition, self-regulation, motivation, and empathy. There results show that their hypothesis was correct and provides important information for people looking to find ways to manage change, increase leadership capabilities, and understand organizational relationships and culture.

Grant, H. M., & Crutchfield, L. R. (2007, Fall). Creating high-impact nonprofits. *Stanford Social Innovation Review*, 32–41.

Grant and Crutchfield outline six major myths about nonprofit management that are assumed to be necessary for success. These myths include perfect management, brand-name awareness, new ideas, textbook mission statements, good statistical standing, and large budgets. They counter these myths by describing the six services of high-impact nonprofits. These are service and advocacy, making markets work, inspiring evangelism, nurturing and cooperation with other nonprofits, adaptation, and sharing leadership. The authors then analyze 12 nonprofits that show outstanding effectiveness and exhibit these nontraditional characteristics. Their writing provides insight into innovative changes in the nonprofit sector and is a useful guide to changing long-held ideas about the necessity for an organization to be competitive and successful.

Hoag, B. G., Ritschard, H. V., & Cooper, C. (2002). Obstacles to effective organizational change: The underlying reasons. *Leadership & Organizational Development Journal, 23*, 6–15.

This article is a summary of research methods and results for an exploratory survey conducted by the authors at a conference for the Chartered Institute of Personnel and Development and the Institute of Management. The article begins with an explanation of existing research indicating that the factors most often blamed as obstacles for organizational change are external issues (cost, workload-staff, legislation). Their survey methods are explained and the results are described, showing that the most frequently cited impediments to organizational change are not external but rather internal structural issues including problems with leadership and management. This article shows that what we accept as "common knowledge" in the field of organizational management may, in fact, be part of the underlying structural faults themselves. Any study of changing trends in public administration would benefit from this article and its clear explanation of perceptions of barriers to change on the part of employees and the ways that those perceptions of poor leadership and noncommunicative management prevent smooth organizational transitions.

Kong, E. (2007). The strategic importance of intellectual capital in the non-profit sector. *Journal of Intellectual Capital, 8*, 721–734.

Eric Kong provides a discussion of the need for strong strategic management concepts that take into account the unique properties of nonprofit organizations. His article carefully examines the foundations and pros and cons of several of the most common of these concepts including resource-based view, balanced scorecard, and intellectual capital among others. He argues that given the need for nonprofits to be both competitive and operate under nontraditional business structures, it is intellectual capital (IC) that best serves the sector as a management strategy. IC uses nonfinancial indicators to measure the possibility of future successes, making nonprofits able to include their volunteer base, talent, donations, and so on in describing their prospective financial success. Kong provides a clear description of management concepts and shows clearly how each would function in a nonprofit context.

Lemak, D. J. (2004). Leading students through the management theory jungle by following the path of the seminal theorists: A paradigmatic approach. *Management Decision, 42*, 1309–1325.

In his article, Lemak explains the three major barriers to teaching organizational management (OM) and the problems with current teaching methods and proposes his solution to this problem. He states that the barriers are the amount and rapid pace of the body of knowledge in OM, the gap between practitioners and scholars, and the increasing diversity of the student body. It is his opinion, derived from Koontz, that we need to develop a paradigmatic approach to teaching OM, with an emphasis on context and history rather than chronology (which makes theory seems outdated and therefore of lesser value) and schools of thought (which provide little context or applicability). He attempts to structure this new approach around the ideas of natural law in the "hard" sciences, with a goal of reaching underneath what has changed over the years and finding what common threads exist. By using clear, simple language and avoiding jargon and arcane references, Lemak provides insights that would be valuable both to the organization management teacher but also to the struggling student who wishes to understand more about the epistemological practices of the discipline.

Luthens, F. (2002). The need for and meaning of positive organizational behavior. *Journal of Organizational Behavior, 23*, 695–706.

In this article, Luthens discusses new trends in positive psychology and the implications of new research in this field for application in organizational behavior theory. Luthens argues that, like psychology, organizational behavior theory has focused too heavily on the negative aspects of organizational change including leadership dysfunction and employee resistance. A discussion of new characteristics and states of being are described, and the development of a new model for studying organizational change is explained. The CHOSE model focuses on these new characteristics (confidence, hope, optimism, subjective well-being, and emotional intelligence) in order to establish new criteria for studying qualities that lead to successful change within organizations as a way of identifying who may be adaptable to transition. This article provides a counterpoint to the large body of work in organizational management theory focusing on the negative aspects of organizational structure-culture that inhibit change. It is a valuable article for showing new insights and point of views in how we view the development of methods for analyzing the likely success of implemented change.

Norman, S., Luthans, B., & Luthans, K. (2005). The proposed contagion effect of hopeful leaders on the resiliency of employees and organizations. *Journal of Leadership & Organizational Studies, 12*, 55–64.

Norman and the Luthans build on the work of Fred Luthans and begin to shape the possible implications of positive organizational behavior theory. They suggest that there is a positive correlation between leadership that possesses the skills of hope and confidence and employees that are resilient and content during organizational transition periods. They claim that change is happening so rapidly and constantly now that we must develop new ways to think about coping skills in an institutional setting. They caution against superficial "theories" presented by the new genre of popular psychology management books but stress the need for solid research into ways of defining hope and resiliency in an effort to discover functional methods for creating it in an organizational environment. Their research is a straightforward discussion of new possibilities in the field of organizational management and an excellent starting point for those looking for ways to effectively implement change.

Service, R. W. (2006). The development of strategic intelligence: A managerial perspective. *International Journal of Management, 23*, 61–77.

While there is much discussion of emotional intelligence in modern organizational theory, Service chooses to focus on strategic intelligence. The author asserts that while strategic planning may be commonplace in organizations, strategic thinking requires training and is far rarer. Even strategic thinking is only a stepping-stone on the path to strategic leadership. He argues for a move away from the "mechanical process" of planning and introduces ways to develop it into a more human-focused skill. He describes a lengthy list of strategic commandments followed by a discussion of ways in which one can begin to hone the skills necessary to move from vision to situational success. This article, while not highly accessible, is useful for those who want to take a deeper look at the actual actions of planning and implementing goals within an organization.

Bibliography

The insights from the chapter authors in this handbook on nonprofit leadership are supported by generations of insight, research, and experience from scholars and reflective practitioners working to understand and improve both the philanthropic sector and the craft of leadership. You will find these references at the ends of each chapter, and I would encourage the reader to "dig deeper" by going to some of these sources directly. The following lists a few of the key readings mentioned across the chapters that can assist a nonprofit leader in the further understanding of the work of leading a third-sector organization. The list is only a very, very small sampling of the writings of individuals who care deeply and approach thoughtfully the ideas of leadership in the civil society sector. As you complete the readings in this handbook, you may wish to continue your investigation of the sector by delving into these works.

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Appendix B

Online Resources in the Nonprofit and Philanthropic Sector

Journals and Publications

***Chronicle of Philanthropy* (http://www.philanthropy.com)**

The *Chronicle* is published every other week and is a news source for people involved in the philanthropic enterprise. The website offers a summary of the contents of the current issue, a list of forthcoming conferences and workshops, job opportunities in the nonprofit world, and other relevant philanthropic information.

***Contributions Magazine* (http://www.contributionsmagazine.com)**

This magazine is designed for those working or volunteering at charitable organizations in the United States. Its mission is to give helpful resources on all the sides of fundraising and organizational management. This magazine is published bimonthly (once every 2 months); however, users can find archived copies of past issues on the magazine website.

Don Kramer's *Nonprofit Issues* (http://www.nonprofitissues.com)

Nonprofit Issues is a national electronic newsletter of "Nonprofit Law You Need to Know." It uses current federal and state cases to show readers the issues of critical importance to nonprofit executives and their advisers. Topics can range from federal tax, employment law, volunteer law, and board liability to corporate governance, foundation rules, charitable giving, insurance, and copyright and trademark.

***Foundation Review* (http://www.foundationreview.org)**

The *Foundation Review* is the first peer-reviewed journal of philanthropy, written for and by foundation staff and boards. The mission is to "share evaluation results, tools, and knowledge about the philanthropic sector in order to improve the practice of grantmaking, yielding greater impact and innovation." The *Foundation Review* is published quarterly and is a product of The Dorothy A. Johnson Center for Philanthropy at Grand Valley State University.

***International Journal of Nonprofit and Voluntary Sector Marketing* (http://www3.interscience.wiley.com/journal/110481870/home)**

This journal is designed to be an international forum for peer-reviewed papers and case studies on the latest techniques, thinking, and best practices in marketing for the not-for-profit sector. The main sectors covered in this publication are the marketing of goods and services, fundraising, advertising and promotion, branding and positioning, campaigns and lobbying, ethics and fundraising, information technology and database management, sponsorship, public relations, and events management.

***Leader to Leader* (http://www3.interscience.wiley.com/journal/73505673/home)**

This quarterly report is published on behalf of the Leader to Leader Institute (formerly the Drucker Foundation) and Jossey-Bass. Their purpose is to provide insight into what top executives and thought leaders are planning for, what they see as the major challenges ahead, and how they are dealing with current changes.

***Nonprofit and Voluntary Sector Quarterly* (http://nvs.sagepub.com)**

The *Nonprofit and Voluntary Sector Quarterly* is an international, interdisciplinary journal dedicated to the study of nonprofit organizations, philanthropy, and voluntary action. This journal works to enrich the knowledge of nonprofit organizations, philanthropy, and voluntarism. It is published by Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA).

***Nonprofit Quarterly* (http://www.nonprofitquarterly.org)**

This journal is designed to strengthen the role of nonprofit organizations to promote democratic values. The journal publishes management information and proven practices for nonprofits. Users can receive the quarterly journal report or can also sign up for a free e-newsletter.

***Nonprofit Times* (http://www.nptimes.com)**

This publication is designed to be an online newspaper for people working in nonprofit management. It is a monthly publication that targets all issues of nonprofit management along with global current events and how they relate back to the nonprofit world.

***Nonprofit World Magazine* (http://www.snpo.org)**

This magazine is published six times a year by the Society for Nonprofit Organizations. Its target is to provide hard-working nonprofit leaders with concise and practical articles that can be easily implemented into any nonprofit organization. In addition to current issues, members also have access to an online archive of over 700 printable articles.

***Philanthropy Journal* (http://www.philanthropyjournal.org)**

The *Philanthropy Journal* is designed to help people understand, support, and work in the nonprofit and philanthropic world, while also assisting them to recognize and solve social problems. The journal offers a daily website and a free, weekly e-mail bulletin, which contains nonprofit news, resources, announcements, and job listings. The *Philanthropy Journal* is a program of the Institute for Nonprofits at North Carolina State University in Raleigh.

***Philanthropy Journal Online* (http://www.pnnonline.org)**

This online journal delivers news, information, and resources to all segments of the nonprofit world to help staff members better achieve their organization's goals. New content is featured each day on the website, along with a highly active job postings service.

***Stanford Social Innovation* (http://www.ssireview.org)**

The journal's mission is to frontier the search for new and better ways of improving the world as a whole. The goal is to share substantive insights and practical experiences that will help those whose mission it is to improve society to perform even better.

***Third Sector* (http://www.thirdsector.co.uk)**

This publication is for all people who like to be aware of all the changes in the voluntary and not-for-profit sector throughout the United Kingdom. The publication offers a weekly print version and an online newspaper for UK charities.

***VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations* (http://www.springerlink.com/content/104985)**

This is the official interdisciplinary international journal of the International Society for Third-Sector Research. It aims to be the central forum for worldwide research in the area between the state market and household sectors by presenting leading-edge academic arguments in a style that is accessible to both practitioners and policymakers. *VOLUNTAS* is essential reading for all those engaged in research into the Third Sector (voluntary and nonprofit organizations).

Blogs and Forums and Wikis Discussing Volunteer Leadership

Blogs are, by their nature, personal musings by the individuals who start them, but they can be excellent sources of useful information and new perspectives. This is particularly true if the person writing the blog has significant experience in the field and/or works in a position where he or she has an unusual opportunity to observe and reflect. Wikis are sites that engage visitors in collaborative writing and exchange, while Forums provide a more organized and often linear sharing of ideas among participants who sign on to be a part of the forum discussion.

Acronym (http://blogs.asaecenter.org/Acronym/volunteer management)

From the American Society of Association Management, "a veritable alphabet soup of ideas for the association community."

AL!VE: Association for Leaders in Volunteer Engagement (http://www.volunteeralive.org)

This forum serves to enhance the character of volunteer meetings in America by promoting collaboration and networking and professional development and by providing advocacy for leaders involved in community engagement. The website features numerous updates and reports published by AL!VE.

Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA) (http://www.arnova.org)

This forum is dedicated to strengthening the research community in the emerging field of nonprofit and philanthropic studies. The organization brings together both theoretical and applied interests while providing access to research that professionals can use to improve the quality of life for their communities. Major activities of this organization include an annual conference, publications, electronic discussions, and special interest groups.

Association Forum of Chicagoland (http://www.associationforum.org/resources/digital-forum.asp)

The forum was founded in 1916. Today, it serves 47,000 Chicagoland association professionals whose efforts serve 37 million members and 9 million donors. This forum is designed to advance the professional practice of association management.

Association of Volunteer Managers (http://www.volunteermanagers.org.uk/blog)

This blog is maintained by the Association of Volunteer Managers (AVM). This association is an independent body that aims to support and represent people who manage volunteers in England regardless of field, discipline, or sector.

Care2 Community (http://www.care2.com/community)

This website contains blogs that are posted by different volunteers who engage in green causes throughout the world. The website has over 10 million contributing members.

***Chronicle of Philanthropy*—"Give and Take" (http://philanthropy.com/giveandtake)**

This newspaper is a popular news source for nonprofit leaders, fundraisers, grantmakers, and other people involved in the philanthropic enterprise. The paper is available in print form and an online form. The online blog section of the online form, or e-newspaper, includes a lengthy list of blogs about the nonprofit world, many of which include volunteer-related issues.

"Conversations From the Field of Volunteer Management" (http://www.volunteermaine.org/blog)

This blog is written by various contributors from the VolunteerMaine Partnership and Maine Commission for Community Service. The Partnership was created to be an important vehicle in solving challenges faced by Maine's volunteer sector.

Energize Book Blog (http://www.energizeinc.com/blog)

This book blog was coordinated to give colleagues in the volunteer sector the opportunity to learn about and suggest management books.

Engaging Volunteers (http://blogs.volunteermatch.org/engagingvolunteers)

This blog is for organizations that wish to recruit and partner with volunteers to reach their organizations' missions. The blog contains many articles that help organizations more effectively recruit and manage volunteers.

Everyday Giving Blog (http://everydaygiving.typepad.com)

This blog is all about different ways of giving to help others and impacting the world to make it a better place. The blog is published and maintained by Roger Carr.

Have Fun—Do Good Blogspot (http://havefundogood.blogspot.com)

This blog is a resource for people who want to give back and "do good" in their communities and throughout the world while also having fun.

IdealistNews (http://www.idealistnews.com)

This blog is a free "social news" service for nonprofits. Users can vote on news links to decide which links are the most relevant and important for nonprofit organizations.

Inside GOOD Blogspot (http://theinsidegoodblog.blogspot.com)

This blog is a place for employees, interns, volunteers, and donors of nonprofit organizations. Users can rate their experiences working with, or donating to, nonprofits. The blog also discusses the trends in ratings of nonprofits, expert opinions, and more.

Jayne Blog (http://blogs.forumer.com/jcravens)

This was one of the nonprofit field's first blogs. It is run by Jayne Cravens, who is an expert in online volunteering. The blog offers information on volunteerism, as well as nonprofit technological issues.

JFFixler Blog (http://www.jffixler.com/blog)

This blog is written by Jill Fixler and others in her firm. The main focus is to help nonprofit organizations achieve excellence in volunteer engagement, strategic planning, and board and organizational assessment and development.

New York Nonprofit Press—Volunteer Management Blog (http://www.nynp.biz/index.php/community-forums/234-alexandra-collier)

This blog is written by experienced volunteer administration practitioner Alexandra Collier to explore challenges to the field and new program ideas.

Nonprofit Commons Project (http://npsl.wikispaces.com)

This is a virtual place of practice for nonprofits to explore the opportunities and benefits of using Second Life. This wiki provides documentation and other information not only for NP Commons tenants, but also for any nonprofit that is interested in learning about the different uses of Second Life.

Nonprofit News and Comment (http://hausercenter.org/npnews)

This blog from the Hauser Center for Nonprofit Organizations at Harvard University surveys major newspapers and periodicals for important stories and links to a wide range of nonprofit news.

Points of Light Blog (http://www.pointsoflight.org/blog)

This blog is maintained by the Points of Light Institute and focuses on blogging about service and civic engagement.

Realizing Your Worth (http://realizedworth.blogspot.com)

This site is about helping business and nonprofits create and implement volunteer programs. The blog specifically focuses on corporate social responsibility and corporate volunteering.

ServiceWire (http://servicewire.org/wire)

This tool from Youth Service America is for accessing current news, information, and grant opportunities from the service-learning and youth service fields.

Social Citizens Blog (http://www.socialcitizens.org/blog)

This blog is for people who consider themselves to be "social citizens," which are those people who use technology as a gateway to make changes in and throughout their communities.

Tactical Philanthropy (http://tacticalphilanthropy.com)

This is the blog of Sean Stannard-Stockton, director of Tactical Philanthropy at Ensemble Capital Management. It is an open space for discussion of philanthropy and a chronicle of "The Second Great Wave of Philanthropy," including some volunteer issues.

Urban Survival Project (http://urbansurvivalproject.blogspot.com)

This blog focuses on social networking to achieve a socially beneficial outcome while also charting the journey of a social idea from conception to reality.

Volunteer Manager (http://volunteermanager.wordpress.com)

This is a blog for "all volunteers and volunteer managers" started in September 2006 by Greg Colby. It is a place where people can come to blog about issues or opinions and receive advice from others in the sector.

Volunteer's Guide to Changing the World (http://howtorelay.blogspot.com)

This blog is maintained by Mark Horoszowski and is based out of Seattle. It is a blogspot for volunteers to visit and receive assistance throughout the volunteer sector.

Wendy Biro-Pollard's Volunteer Management Blog (http://wendybiro-pollard.com/category/volunteer-management)

This website contains articles and insights from Wendy Biro-Pollard, a trainer and certified volunteer administrator with over 25 years of experience. The blog section focuses on helping those within the volunteer management field.

World Volunteer Web Blog (http://www.worldvolunteerweb.org/join-the-network/blogs/volunteer-blog.html)

Part of the excellent World Volunteer Web website, this blog offers a forum for both volunteers and managers. It contains information and resources linked to volunteerism that can be used for campaigning, advocacy, and networking.

Appendix C

Nonprofit Organizations

National Organizations

Association for Research on Nonprofit Organizations and Voluntary Actions (http://www.arnova.org)

The Association for Research on Nonprofit Organizations and Voluntary Actions is involved in advancing research and research practices in nonprofit and philanthropic studies. The mission of ARNOVA is to foster, through research and education, the creation, application, and dissemination of knowledge on nonprofit organizations, philanthropy, civil society, and voluntary action. Its website features its publications, the *Nonprofit and Voluntary Sector Quarterly* and *ARNOVA News*, as well as a discussion forum.

Association of Fund-Raising Professionals (http://www.afpnet.org)

The Association of Fund-Raising Professionals embodies more than 30,000 members in 206 chapters throughout the world. The association works to evolve the philanthropy field. It works to do this through advocacy, research, education, and certification programs.

GuideStar (http://www2.guidestar.org)

GuideStar collects and maintains records of nonprofits to facilitate engagement among nonprofits and the public, as well as collects vital information that is matched with other sources to form comprehensive nonprofit information. Participating organizations are able to use its website to update organizational information that is reflected in its reviews and publications. In addition to data collection and analysis tools, the website contains publications on the nonprofit sector, as well as current news and trusted blogs.

Independent Sector (www.independentsector.org)

Independent Sector is composed of nearly 600 organizations that seek to fulfill the mission of advancing the common good by leading, strengthening, and mobilizing the charitable community. Its website features independent work that highlights major areas within the nonprofit sector such as giving and volunteering, annual reporting and auditing, financial responsibility, ethics, and bylaws. Member organizations can use Independent Sector's resources to further their advocacy missions, collaborate on key issues facing the nonprofit sector, and inform their organizations' work.

National Association of Volunteer Programs in Local Government (NAVPLG) (http://www.navplg.org)

NAVPLG focuses primarily on the unique needs of volunteer programs within the structure of local, city, and county governments. The organization strives to provide resources and promote ways in which volunteerism can strengthen government programs at the local, city, and county levels.

National Council of Nonprofits (www.nycon.org)

The National Council of Nonprofits is a network of state and regional nonprofit associations working together to initiate greater change with a more unified voice. Local organizations not only have easier access to national audiences, but also are aided in management, policy, and many other areas through this collaborative, nonprofit sector council. The website features links to individual states' nonprofit associations, as well as links to nonprofit resources representing the best practices in key areas, such as administration and management, marketing, fundraising, governance, and policy.

National Organizations Volunteerism Network (NOVN) (http://www.nassembly.org/nassembly/novn.htm)

This is an online network for volunteer management professionals that are part of the nation's nonprofits in the fields of health, human and community development, and human services. The network is an opportunity for users to share knowledge and expertise about their work in the nonprofit health sector.

Nonprofit Technology Network (NTen) (http://www.nten.org)

This organization is a membership organization for nonprofit technology professionals. Its mission is to help all nonprofits use technology more efficiently and effectively in their organizations. NTen networks nonprofits with one another and facilitates programs and discussions for nonprofit technology professionals.

Urban Institute (http://www.urban.org)

The Urban Institute analyzes policies, evaluates programs, and informs community development to improve social, civic, and economic well-being. The Urban Institute's main webpage provides information on current projects, recent publications, and special events and provides research resources to foster sound public policy and effective government. In addition, the Urban Institute provides in-depth state, regional, and national reports and statistics on advocacy, charity, community, service, and faith-based nonprofits.

State Associations

Alliance of Arizona Nonprofits
(www.arizonanonprofits.org)

Arkansas Coalition for Excellence
(www.acenonprofit.org)

California Association of Nonprofits
(www.canonprofits.org)

Center for Non-Profit Corporations (New Jersey)
(www.njnonprofits.org)

Colorado Nonprofit Association
(www.coloradononprofits.org)

Connecticut Association of Nonprofits
(www.ctnonprofits.org)

Delaware Association of Nonprofit Agencies
(www.delawarenonprofit.org)

Donors Forum
(www.donorsforum.org)

Hawai‘i Alliance of Nonprofit Organizations
(www.hano-hawaii.org)

Idaho Nonprofit Center
(www.idahononprofits.org)

Iowa Nonprofit Resource Center
(nonprofit.law.uiowa.edu)

Louisiana Association of Nonprofit Organizations
(www.lano.org)

Maine Association of Nonprofits
(www.nonprofitmaine.org)

Maryland Association of Nonprofit Organizations
(www.marylandnonprofits.org)

Massachusetts Council of Human Service Providers
(www.providers.org)

Michigan Nonprofit Association
(www.mnaonline.org)

Minnesota Council of Nonprofits
(www.mncn.org)

Mississippi Center for Nonprofits
(www.msnonprofits.org)

Montana Nonprofit Association
(www.mtnonprofit.org)

New Hampshire Center for Nonprofits
(www.nhnonprofits.org)

New York Council of Nonprofits
(www.nycon.org)

Nonprofit Association of Oregon
(www.nonprofitoregon.org)

Nonprofit Association of the Midlands
(www.nonprofitam.org)

Nonprofit Coordinating Committee of New York
(www.npccny.org)

Nonprofit Leadership Initiative
(www.kynonprofits.org)

Nonprofit Resource Center of Alabama
(www.nrca.info)

North Carolina Center for Nonprofits
(www.ncnonprofits.org)

North Dakota Association of Nonprofit Organizations
(www.ndano.org)

Northwest Nonprofit Resources
(www.nnr.org)

Oklahoma Center for Nonprofits
(www.oklahomacenterfornonprofits.org)

Pennsylvania Association of Nonprofit Organizations
(www.pano.org)

South Carolina Association of Nonprofit Organizations
(www.scanpo.org)

Texas Association of Nonprofit Organizations (www.tano.org)

Utah Nonprofits Association (www.utahnonprofits.org)

Virginia Network of Nonprofit Organizations (www.vanno.org)

Wisconsin Nonprofits Association (www.wisconsinnonprofits.org)

Grantmaking Foundations: National Organizations and Resources

Association of Small Foundations (http://www.smallfoundations.org)

The Association of Small Foundations (ASF) serves the needs of foundations and grantmaking organizations with few or no staff. As a membership organization, the association provides its constituents with targeted resources, trainings, peer-learning opportunities, and ongoing support. With over 3,000 foundation members, they are currently the largest foundation-support organization in the country.

Council on Foundations (http://www.cof.org)

The Council on Foundations (COF) is a national nonprofit association comprised of grantmaking foundations and corporations. COF provides its members with services, publications, and resources related to all aspects of foundation management on a national and international level. The council operates on principles of stewardship, accountability, transparency, diversity and inclusiveness, governance, and respect.

Dorothy A. Johnson Center for Philanthropy at Grand Valley State University (http://www.gvsu.edu/jcp/)

The Dorothy A. Johnson Center for Philanthropy at Grand Valley State University (GVSU) (JCP) is a university-based academic center on philanthropy with programs in undergraduate and graduate education in nonprofit leadership, nonprofit professional development, applied social research and mapping, and professional resources for grantmakers. The professional grantmaker resources include the Grantmaking School (a series of professional development workshops), the Foundation Review (a national peer-reviewed journal for grantmakers), and the Frey Chair in Family Foundations and Philanthropy.

Forum of Regional Association of Grantmakers (http://www.givingforum.org/s forum/index.asp)

The Forum of Regional Association of Grantmakers is a national network of regional associations from across the United States. The forum provides support and resources to regional associations of grantmakers to ensure that they fulfill their missions and promote their growth and effectiveness. Additionally, the forum provides training and workshops for its members, as well as identifying giving trends in the sector.

Foundation Center (http://foundationcenter.org)

The Foundation Center was founded in 1956 and is a leading authority in the philanthropic and nonprofit sector. Its audiences include grant seekers, grantmakers, researchers, policymakers, the media, and the general public. The center maintains a comprehensive database on U.S. grantmaking organizations and their grants; issues a wide variety of print, electronic, and online information resources; conducts and publishes research on trends in foundation growth, giving, and practice; and offers an array of training and educational programs.

GrantCraft (http://www.grantcraft.org)

A project of the Ford Foundation, GrantCraft has been providing grantmakers with resources and publications since 2001. Drawing on the expertise, opinions, and experiences of hundreds of grantmakers, GrantCraft has developed a series of materials around topics such as evaluation, equity and social change, personal strategy, and much more. GrantCraft resources are available as online downloads, printed guides, videos, and workshops.

Grantmakers for Effective Organizations (http://www.geofunders.org)

Grantmakers for Effective Organizations (GEO) promotes grantmaking practices that help to build stronger nonprofits and improve results. Based in Washington, D.C., this membership-based coalition of over 350 grantmakers provides resources, publications, professional development opportunities, and a biennial national conference. GEO's priorities include learning strategies, leadership development, financial sustainability, and stakeholder engagement.

Grantmaking School (http://www.grantmakingschool.org)

The Grantamaking School is the first university-based, professional development program for advanced grantmakers. Offerings include Advanced Proposal Analysis and Advanced Grant Portfolio Management courses focused on developing and improving on key skill sets in grantmaking. The Grantmaking School's courses are designed to address the complex work of foundation grantmaking professionals who are central to their organization's effectiveness. The Grantmaking School is a program of the Dorothy A. Johnson Center for Philanthropy at Grand Valley State University.

National Center for Family Philanthropy (http://www.ncfp.org)

The mission of the National Center for Family Philanthropy is to promote philanthropic values, vision, and excellence across generations of philanthropists and their families. The center's work is based on the fundamental belief in the value of philanthropy and the ongoing participation of the donor and the donor's family. The National Center was founded in response to the need for a full-time national resource dedicated to serving the needs of families in philanthropy. The center's staff has expertise in governance, grantmaking, planning, evaluation, and more.

Grantmaking Foundations: State and Regional Associations

Arizona Grantmakers Forum
(http://www.azgrantmakers.org)

Associated Grant Makers
(http://www.agmconnect.org)

Association of Baltimore Area Grantmakers
(http://www.abagmd.org)

Colorado Association of Funders
(http://www.coloradofunders.org)

Conference of Southwest Foundations
(http://www.c-s-f.org)

Connecticut Council for Philanthropy
(http://www.ctphilanthropy.org)

Council of Michigan Foundations
(http://www.michiganfoundations.org)

Council of New Jersey Grantmakers
(http://www.cnjg.org)

Delaware Valley Grantmakers
(http://www.dvg.org)

Donors Forum
(http://www.donorsforum.org)

Donors Forum of South Florida
(http://www.donorsforumsf.org)

Donors Forum of Wisconsin
(http://www.dfwonline.org)

Florida Philanthropic Network
(http://www.fpnetwork.org)

Grantmakers Forum of New York—Rochester
(http://www.grantmakers.org)

Grantmakers of Oregon and Southwest Washington
(http://www.gosw.org)

Grantmakers of Western Pennsylvania
(http://www.gwpa.org)

Indiana Grantmakers Alliance
(http://www.indianagrantmakers.org)

Iowa Council of Foundations
(http://www.iowacounciloffoundations.org)

Maine Philanthropy Center
(http://www.mainephilanthropy.org)

Minnesota Council on Foundations
(http://www.mcf.org)

New Mexico Association of Grantmakers
(http://www.nmag.org)

Northern California Grantmakers
(http://www.ncg.org)

Ohio Grantmakers Forum
(http://www.ohiograntmakers.org)

Philanthropy New York—New York City
(http://www.philanthropynewyork.org)

Philanthropy Northwest
(http://www.philanthropynw.org)

San Diego Grantmakers
(http://www.sdgrantmakers.org)

Southeastern Council on Foundations
(http://www.secf.org)

Southern California Grantmakers
(http://www.socalgrantmakers.org)

Washington Regional Association of Grantmakers
(http://www.washingtongrantmakers.org)

Western New York Grantmakers Association—Buffalo
(http://www.wnygrantmakers.org)

Council on Foundations: Grantmaker Affinity Groups

Africa Grantmakers' Affinity Group
Phone: 540–878–5015
Fax: 540–347–3405
http://www.africagrantmakers.org
info@africagrantmakers.org

Asian Americans/Pacific Islanders in Philanthropy
Phone: 415–273–2760
Fax: 415–273–2765
http://www.aapip.org
aapip@aapip.org

Association of Black Foundation Executives
Phone: 646–230–0306
Fax: 212–747–9320
http://www.abfe.org
stoomer@abfe.org

CFLeads (Community Foundations Leading Change)
Phone: 800–292–6149
Fax: 816–468–1698
http://www.cfleads.org
martha@cfleads.org

Communications Network
Phone: 630–328–2857
Fax: 917–677–4769
http://www.comnetwork.org
info@comnetwork.org

Consortium of Foundation Libraries (CFL)
Phone: 317–278–2329
http://www.foundationlibraries.org/
bburk@iupui.edu

Disabilities Funders Network
Phone: 703–795–9646
Fax: 804–794–7852
http://www.disabilityfunders.org
khutchinson@disabilityfunders.org

Environmental Grantmakers Association
Phone: 646–747–2655
Fax: 646–747–2656
http://www.ega.org
ega@ega.org

Funders' Committee for Civic Participation
Phone: 503–724–2922
http://www.funderscommittee.org
dross@publicinterestprojects.org

Funders Concerned About AIDS
Phone: 718–875–0251
http://www.fcaaids.org
info@fcaaids.org

Funders for Lesbian and Gay Issues
Phone: 212–475–2930
Fax: 212–475–2532
http://www.lgbtfunders.org
info@lgbtfunders.org

Funders' Network for Smart Growth and Livable Communities
Phone: 305–667–6350
Fax: 305–667–6355
http://www.fundersnetwork.org
info@fundersnetwork.org

Funders Network on Population, Reproductive Health & Rights
Phone: 301–294–4157
Fax: 301–294–4158
http://www.fundersnet.org
info@fundersnet.org

Funders Together to End Homelessness
Phone: 617–236–2244
http://www.funderstogether.org
jason@melvilletrust.org

Grantmakers Concerned With Immigrants and Refugees
Phone: 707–824–4374
http://www.gcir.org
info@gcir.org

Grantmakers for Children, Youth & Families
Phone: 301–589–4293
Fax: 301–589–4289
http://www.gcyf.org
info@gcyf.org

Grantmakers for Education
Phone: 503–595–2100
Fax: 503–595–2102
http://www.edfunders.org
information@edfunders.org

Grantmakers in Aging
Phone: 937–435–3156
Fax: 937–435–3733
http://www.giaging.org
cfarquhar@giaging.org

Grantmakers in Film + Electronic Media
Phone: 410–675–4024
http://www.gfem.org
info@gfem.org

Grantmakers in Health
Phone: 202–452–8331
Fax: 202–452–8340
http://www.gih.org
info@gih.org

Grantmakers in the Arts
Phone: 206–624–2312
Fax: 206–624–5568
http://www.giarts.org
gia@giarts.org

Grants Managers Network
Phone: 202–329–7670
Fax: 504–837–4274
http://www.gmnetwork.org
info@gmnetwork.org

Grassroots Grantmakers
Phone: 361–798–1808
http://www.grassrootsgrantmakers.org
info@grassrootsgrantmakers.org

Hispanics in Philanthropy
Phone: 415–837–0427
Fax: 415–837–1074
http://www.hiponline.org
info@hiponline.org

International Funders for Indigenous People
Phone: 518–358–9500
Fax: 518–358–9544
http://www.internationalfunders.org
ifip@internationalfunders.org

International Human Rights Funders Group
Phone: 212–609–2631
Fax: 212–609–2633
http://www.ihrfg.org
info@ihrfg.org

Jewish Funders Network
Phone: 212–726–0177
Fax: 212–594–4292
http://www.jfunders.org
jfn@jfunders.org

Native Americans in Philanthropy
Phone: 612–724–8798
Fax: 612–879–0613
http://www.nativephilanthropy.org
info@nativephilanthropy.org

Neighborhood Funders Group
Phone: 202–833–4690
Fax: 202–833–4694
http://www.nfg.org
nfg@nfg.org

Peace and Security Funders Group
Phone: 434–989–1514
http://www.peaceandsecurity.org/
kmagraw@peaceandsecurity.org

Philanthropy for Active Civic Engagement
Phone: 303–765–3411
http://www.pacefunders.org/
cgates@pacefunders.org

Technology Affinity Group
Phone: 610–688–6832
http://www.tagtech.org
info@tagtech.org

Women's Funding Network
Phone: 415–441–0706
Fax: 415–441–0827
http://www.wfnet.org
info@wfnet.org

Nonprofit Academic Centers Council (http://www.naccouncil.org)

"The Nonprofit Academic Centers Council is a membership association comprised of academic centers or programs at accredited colleges and universities that focus on the study of nonprofit organizations, voluntarism and/or philanthropy. Established in 1991, NACC is the first group entirely dedicated to the promotion and networking of centers that provide research and education in philanthropy and the nonprofit sector" (NACC website).

Available on the website are the *Curricular Guidelines for Graduate and Undergraduate Study in Nonprofit Leadership, the Nonprofit Sector and Philanthropy.* Also available is *Indicators of Quality in Nonprofit Academic Centers.* The public portion of the site also lists the member academic centers with links to their home pages.

University Nonprofit Academic Centers

Arizona State University, ASU Lodestar Center for Philanthropy and Nonprofit Innovation

Baruch College, City University of New York, Center for Nonprofit Strategy and Management

Boston College, Center on Wealth and Philanthropy

Case Western Reserve University, Mandel Center for Nonprofit Organizations

DePaul University, School of Public Service

George Mason University, Nonprofit Management Studies

Georgetown University, Center for Public and Nonprofit Leadership—Georgetown Public Policy Institute

Georgia State University, Nonprofit Studies Program—Andrew Young School of Public Policy Studies

Grand Valley State University, Dorothy A. Johnson Center for Philanthropy

Harvard University, Hauser Center for Nonprofit Organizations

Indiana University, The Center on Philanthropy at Indiana University

Johns Hopkins University, Center for Civil Society Studies

Louisiana State University—Shreveport, Institute for Human Services and Public Policy—College of Liberal Arts

New School, Graduate Management Programs—Nonprofit Management Program

New York University, Public and Nonprofit Management & Policy Program—Robert F. Wagner Graduate School of Public Service

New York University School of Law, National Center on Philanthropy and the Law

North Park University, Axelson Center for Nonprofit Management

Northwestern University, Center for Nonprofit Management—Kellogg School of Management

Portland State University, Institute for Nonprofit Management, Mark O. Hatfield School of Government

Regis University, Nonprofit Management Program

Seattle University, Center for Nonprofit and Social Enterprise Management

Seton Hall University, Center for Public Service

Texas A&M University, Program in Nonprofit Management—Bush School of Government and Public Service

University at Albany-SUNY, Center for Women in Government & Civil Society—Rockefeller College of Public Affairs and Policy

University of California-Berkeley, Center for Nonprofit and Public Leadership

University of California-Los Angeles, Center for Civil Society

University of Delaware, Center for Community Research & Service

University of Michigan, Nonprofit and Public Management Center, School of Social Work

University of Minnesota, The Public and Nonprofit Leadership Center, Humphrey Institute of Public Affairs

University of Missouri-Kansas City, Midwest Center for Nonprofit Leadership—Henry W. Bloch School of Business and Public Administration

University of Missouri-St. Louis, Nonprofit Management and Leadership Program

University of Pennsylvania, Center for Community Partnerships—Penn Program for Public Service

University of San Diego, Institute for Nonprofit Education and Research

University of San Francisco, Institute for Nonprofit Organization Management

University of Southern California, Center on Philanthropy and Public Policy

University of Texas at Austin, RGK Center for Philanthropy and Community Service

University of Washington, Nancy Bell Evans Center on Nonprofits and Philanthropy

University of Wisconsin-Milwaukee, Helen Bader Institute for Nonprofit Management

Virginia Tech, Institute for Policy and Governance

Australia

Queensland University of Technology, Centre of Philanthropy and Nonprofit Studies

Canada

Mount Royal College, Institute for Nonprofit Studies

York University, Nonprofit Management & Leadership Program—Schulich School of Business

London, England

City University London, Centre for Charity Effectiveness—Cass School of Business

Virgin Islands

University of St. Thomas, Center for Nonprofit Management

University Students: Nonprofit and Philanthropic Websites

American Humanics (http://www.humanics.org/site/?c=omL2KiN4LvH&b=1098773)

American Humanics is a national academic program designed to prepare students for entry-level professional positions in nonprofit organizations. The certificate that the student receives is awarded by American Humanics, Inc., a national organization of over 70 collaborating universities and national nonprofit organizations. On this website, you will find current information on their national nonprofit and affiliated academic partners and student information. From the main page, you can link to subsections including the NextGen scholarship program, the Management Institute, the listing of affiliated campus programs, and the listing of academic campus directors.

AmeriCorps/VISTA (http://www.americorps.gov)

See Federal Support for Volunteer Service.

Campus Compact (http://www.compact.org)

Campus Compact is a national coalition of over a 1,000 college and university presidents. The main intent of the organization is to use school heads to promote public and community service by incorporating community-based learning into college curricula. The website provides many faculty and student resources that help facilitate implementation and ensure successful relationship ties with local communities. Campus Compact also supports affiliated groups on university campuses to further their work at the state level. State Campus Compacts work with colleges and universities in their states to promote community service and community-based learning among students.

Emerging Practitioners in Philanthropy (http://www.epip.org/index.php)

Emerging Practitioners in Philanthropy (EPIP) strives to strengthen the next generation of grantmakers, with an emphasis in advancing social justice philanthropy. EPIP members primarily consist of foundation staff and trustees, donors, philanthropic support organizations, and graduate students in philanthropy under the age of 40. The organization provides opportunities for its members through networking, leadership, and advocacy programs. EPIP has chapters in the San Francisco Bay Area, Boston, Indiana, Los Angeles, Michigan, Minnesota, New York, Philadelphia, Seattle, and Washington, D.C. and is a recognized affinity group of the Council on Foundations.

Idealist (http://www.idealist.org/en/resources.html)

Idealist.org not only offers a fast and easy way to locate volunteer and employment opportunities, but it also offers a variety of resources for individuals, nonprofit organizations, and government agencies. The site offers information on various topics ranging from volunteer management to planning and assessing programs to human resource management. Individuals interested in learning more about the nonprofit sector, how to obtain a graduate degree, and transitioning mid-career will also find this website useful. It also provides tips and advice on volunteering internationally. Additionally, it answers questions about nonprofit organizations and connects people around the world through their interactive capabilities. Idealist is a unique website that offers opportunities for individuals and organizations to become better versions of themselves through the various resources, advice, and materials that they offer.

Peace Corps (http://www.peacecorps.gov)

See Federal Support for Volunteer Service.

Young Nonprofit Professionals Network (http://www.ynpn.org/s/936/start.aspx)

The Young Nonprofit Professionals Network is dedicated to helping young nonprofit professionals gain entrance into, and be successful within, the nonprofit sector. YNPN aims to fulfill its mission of promoting an efficient, viable, and inclusive nonprofit sector through strengthening career support and professional development, advocating on behalf of young professionals, and by building organizational capacity. Its website features more information about getting involved in YNPN, as well as resources on the sector's best practices.

Federal Support for Volunteer Service

AmeriCorps/VISTA (http://www.americorps.gov)

AmeriCorps VISTA is the national service program designed specifically to fight poverty. It was founded as Volunteers in Service to America in 1965 and incorporated into the AmeriCorps network of programs in 1993. VISTA has been on the front lines in the fight against poverty in America for more than 40 years helping to establish important programs such as Head Start, Upward Bound, and the American system of credit unions. The VISTA website includes state-specific information about how to get involved, as well as information about other AmeriCorps programs. VISTA is a program of the Corporation for National and Community Service, a federal agency created to connect Americans of all ages and backgrounds with opportunities to give back to their communities and their nation.

Corporation for National and Community Service (http://www.nationalservice.org)

The Corporation for National and Community Service is the federal umbrella for a large number of volunteer and service programs supported with government funding.

These include AmeriCorps; Learn & Serve America; VISTA; older Americans' programs, such as ACTION, RSVP, Foster Grandparents, and Senior Companion. Information is also available from 1201 New York Avenue, NW, Washington, DC 20525. Tel: (202) 606–5000. TTY: (202) 606–3472. Email: info@cns.gov

Peace Corps (http://www.peacecorps.gov)

Originally established in 1960 under President John F. Kennedy, the Peace Corps challenges everyday Americans to serve their country in the cause of peace by living and working in developing countries. Since that time, Peace Corps has had over 200,000 Peace Corps volunteers serve in 139 host countries across the globe. The website includes information about the Peace Corps, its history and current operations, instructions for applying, and resources for Peace Corps members and their families.

Points of Light Institute (http://www.pointsoflight.org)

In 2007, the Points of Light Foundation and the HandsOn Network merged to become the Points of Light Institute, an organization supporting the work of volunteerism and community and civic engagement across the nation. On the website, you will find information about its major programs including the HandsOn Network, MissionFish, and The Civic Incubator. The site also includes information about how to get involved, access to its blog, service-related media, and other resources for Americans who want to be more civically engaged.

Senior Corps (http://www.seniorcorps.gov)

Along with programs of interest to college students, the Corporation for National and Community Service offers support to older Americans. New nonprofit leaders may want to tap into these resources. Senior Corps is a national service program specifically designed for Americans over 55 with a lifetime of experience to share and the desire to make a real difference in their world. Senior Corps connects its members with people and organizations that need them most. Senior Corps members serve as mentors, coaches, or companions to people in need, or contribute their job skills and expertise to community projects and organizations. The Senior Corps website includes information about how to become involved as a Senior Corps member, history and background about the program, information for local nonprofit organizations who want Senior Corps members as part of their working staff, as well as information on other national service programs.

Appendix D

Civic Ideals and the Giving Society

Connecting Social Studies and
Philanthropy for Grades 9 12

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Supported by a grant from the Charles Stewart Mott Foundation.

Contents

Introduction to Philanthropy

Joseph P. Stoltman

People often ask questions when they begin a journey. What will I see? Who will I visit? What should I pack? How will we travel? Those questions help us to prepare for new and different things.

People also ask questions when they discover new ideas in their lives. Is it a good idea? What makes it good for me? Is it good for other people? Is it good for my future and the future of others?

In this book you will take a journey of discovery about philanthropy, an old idea, but new to many people. It is one of those ideas that people ask questions about. In this book, you will learn about how philanthropy works. You will have the chance to look at philanthropy in several different ways. You will look at the history, geography, and economics of philanthropy, as well as philanthropy's role in democracy.

What Is Philanthropy?

But first, what is philanthropy? Figure D.1 helps to answer that question. The definition of *philanthropy* is: *giving, serving, and private citizen action intended for the common good.* The common good (also called the public good) refers to the improved condition of society in general. For example, a society that is able to improve the care and education of children has improved its general condition. A society that is able to provide adequate housing for its people has improved its general condition. Improving the conditions that make up the common good is philanthropy's goal.

What kinds of activities does philanthropy include? The three columns of Figure D.1 address this question. Listed are the three general activities, with specific examples, included in philanthropy: giving money, giving goods, or giving service. For example, giving service could involve repairing someone's home or serving as a monitor in a five-mile walk to raise funds to aid cancer patients. It might involve a person using their special skills as a doctor, carpenter, or teacher, to help others. Giving involves individuals and organizations.

Figure D.1: What Is Philanthropy?

Look at some of the specific volunteer actions shown in the first column. How do these actions help promote the public good? Let's consider two examples. People volunteer to deliver "meals on wheels" to elderly people. This act of service helps the common good by making certain that the elderly have proper and adequate diets. Student organizations volunteer to plant flowers on the school grounds. Flowers growing at school make the school grounds look nice, and people enjoy viewing them. Students take pride in their school. The more attractive school grounds improve the common good.

Philanthropy begins when a person or group of people recognize a need. If a person is ill, then people may join together to help that person. If a new community center needs to be constructed, people may volunteer to work together to build and equip it. If a family loses their home to fire, then people may help them repair and refurnish items that were lost in the fire. Each is an act of philanthropy.

Who Participates in Philanthropy?

Individuals have been giving for the common good for a very long time. Giving is evident across the ages and among all cultural groups. Individuals living at different

Giving SERVICE	*Giving GOODS*	*Giving MONEY*
Specific examples of giving service	Specific examples of giving goods	Specific examples of giving money
Reading to children	Donating food to a food drive	Giving money to the fund for new books at the local library
Delivering meals to elderly people	Giving good, used items to a charity	Pledging to a telethon raising money for medical research
Tutoring immigrants learning English	Giving needed food and other items for a family in need	Donating to organizations doing disaster relief
Helping at an animal shelter	Donating medical supplies after a natural disaster	"Adopting" a child through an organization that helps children in developing countries
Planting flowers on the school grounds	Giving computers to a school	Donating money for a new building on a university or college campus
Helping build affordable housing		

Figure D.1 Philanthropy Is Giving, Serving, and Private Citizen Action Intended for the Common Good

times in history have participated in philanthropy. People who volunteer to improve the common good live in many different places. They usually do not know one another. They have different types of jobs or careers. However, all of them are connected by the shared commitment to voluntary giving. They believe in giving to others.

People around the world give to assist others. They give special types of skills, from cooking and reading to helping inspire others to succeed in their lives. They sometimes give money, but often they volunteer their time and talents. In each case, they are people who help people so that their community, region, and world become better places. They believe that society is improved when people give to help one another.

Who are some of those people who have volunteered for the public good? Sarah Jones is a high school student who volunteers at a community center. She helps children learn to express their feelings through art. Benjamin Franklin gave money to begin a technical school in Boston. The city and its people greatly benefited from this gift. Matel Dawson worked hard and saved money during his life. He left his money for scholarships that would help high school graduates attend a university. Sojourner Truth devoted her life to helping African Americans escape to freedom before the Civil War. After the Civil War, she fought for civil rights for African Americans.

Jackie Joyner-Kersee is one of the world's greatest athletes. She uses her fame and skills to help others improve their lives. Eleanor Roosevelt gave time and money to improve the lives of people in many parts of the world. As First Lady, she was able to encourage many others to give. Russell Mawby became President of the W. K. Kellogg Foundation. The founder of the breakfast cereal company started the Foundation, which has many resources to use to help others. Dr. Mawby was responsible for helping make wise choices for philanthropy.

What Needs Do Volunteers Meet?

Millions of people across the world volunteer to help others. They may volunteer as part of a group. They may volunteer for individual tasks. They may volunteer in their community. They may volunteer to work in other parts of the country or the world. Each believes there is a need for their volunteer giving. None expect to receive payment for their work. What are some of the needs they observe that encourage people to take action to improve the public good? Here are several examples.

Giving to improve the common good often begins in the community where a person lives. Communities are where people spend most of their time. Communities may also include diverse populations. They may have buildings that were once new, but have aged and need repairs. Often community groups volunteer to help repair a house. It will then look better from the outside, and provide a better home for the people who live there.

People also volunteer their time across the United States. Nationwide programs connect people with specific needs to people and organizations that have resources. When a natural disaster, such as a hurricane, tornado, or earthquake occurs, volunteers respond. They help people recover from the damage. The help may be in the form of money, food, or time spent rebuilding damaged homes and buildings. People of all ages will assist in the clean up and rebuilding.

Philanthropy reaches great distances. For example, students in the United States participate in money-raising activities. They may include school programs, trips, and other special school events. Those same students may also partner with a community and its school in another part of the world. They collect money, books, and other goods and donate them to meet the needs in another school. They are taking action to improve the common good by helping that faraway community improve its school. Sometimes there is no school, and students have to attend class without desks or other materials. Philanthropy may provide a means for the students in those places to have a school. Donating time, money, and special skills may play a big part to improve the common good for students and their community.

Philanthropy is a way to improve the common good. Recognizing the need is the first, very important step. Providing the volunteer giving to meet the need is the next big step.

How Will We Learn More About Philanthropy?

Using this book, you will be taking the perspective of several subjects that you study in school. They are civics, geography, history, and economics. Each of those subjects brings a special point of view to philanthropy. Each demonstrates how individuals can participate in philanthropy. Each provides some examples of how we might include giving in our everyday lives. Each provides an example of how philanthropy extends from the decisions we make in our local communities to the rest of the United States and to the world.

Philanthropy is similar to a journey. As the journey unfolds, you will observe the needs of people and communities. You will also develop ideas about how to meet those needs. You can apply those ideas now as well as later in your life as you participate in philanthropy.

1. Philanthropy, Civil Society, and Democracy in America

John J. Patrick

After America was attacked, it was as if our entire country looked into a mirror and saw our better selves. We were reminded that we are citizens, with obligations to each other, to our country, and to history. We began to think less of the goods we can accumulate and more about the good we can do. . . . In the sacrifice of soldiers, the fierce brotherhood of firefighters, and the bravery and generosity of ordinary citizens, we have glimpsed what a new culture of responsibility could look like. We want to be a nation that serves goals larger than self. We have been offered a unique opportunity, and we must not let this moment pass.

In his 2002 State of the Union Address, President George W. Bush praised Americans for their charitable behavior following the terrorist attack against the United States on September 11, 2001. Like leaders throughout history, the President recognized philanthropy as civic duty.

Philanthropy includes three types of charitable behavior: giving money; donating goods, such as food, clothing, shelter, and blood; and giving time, such as volunteering to help others. In response to the tragedy of 9/11/01, Americans donated huge amounts of money, time, and services. The emotion-packed response involved people, concerned about helping others. It involved taking action for the common good. On a daily basis, Americans give in many ways to help others.

Americans give as a way of taking action for the common good. They support relief during natural disasters, carry out community projects, and help meet individuals' needs. Philanthropy has greatly contributed to a healthy democracy in America, and it continues to do so.

This chapter examines the important relationship between philanthropy and civil society. It includes the topics of (a) philanthropy and civil society within American democracy; (b) trends and patterns of philanthropy and civil society in American democracy; (c) promising programs and practices for strengthening connections between philanthropy, civil society, and democracy, and (d) reflections on education for philanthropy, civil society, and democracy in America.

Philanthropy and Civil Society Within American Democracy

Philanthropy—giving, serving, and private citizen action intended for the common good—is strongly related to the traditional American understanding of democracy. What is that relationship? Before answering this question, let's explore American democracy.

In America there is a simple way to judge whether people practice democracy. That is, do the people regularly select their representatives in government in free, fair, open, and contested elections? If they do, then government is by the consent of the governed, and the people's representatives are accountable to them. Government in the United States, the world's oldest existing democracy, has more and more fit this definition throughout its history.

Yet a full democracy does more than meet this minimal standard. It also provides constitutional guarantees for the rights that are enjoyed equally by all individuals. Such a

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democracy has, in the words of Abraham Lincoln, "government of the people, by the people, for the people."

This democratic government both gets its power from and is limited by the Constitution. The Constitution protects people's rights to think, speak, and assemble with others. It protects their rights to influence the policies and actions of government. It provides the rights needed to act for the common good of the community. Yet it also protects the rights of a minority of persons who disagree with the policies and actions of the majority.

Is democracy practiced perfectly in America? Perhaps not, but it does fit James Madison's observation, "No government of human device and human administration can be perfect. . . . That which is the least imperfect is therefore the best government."

The long success of constitutional democracy in America is the result of reasonable decisions and actions by citizens. Citizens make decisions and take action on elections, public policy issues, and serious social problems. Citizens must balance their own private interests, as well as public interests, for democracy to thrive. The freely made choices of citizens in a democracy start civic virtue in motion. *Civic virtue* requires putting the common good of the community ahead of immediate, personal concerns.

What does civic virtue look like? For a high school student, practicing civic virtue might mean volunteering at a local day care center rather than hanging out with friends after school. It might also mean trying to change an attendance policy that is unpopular but will, in your opinion, be better for your school. Or it might mean donating your hard-earned savings to a food bank rather than spending it on a new pair of shoes.

At its best, being a virtuous citizen in a democracy involves philanthropy. Philanthropy includes voluntary service, where citizens give freely to promote the well-being of people and the community. A huge financial donation by wealthy persons is a characteristic of philanthropy in the United States. But most philanthropy involves small-scale civic giving by ordinary people through regular participation in civil society.

Civil society is the network of voluntary groups that act on their own or as partners with state agencies. This independent sector is not part of the government and must obey the laws. The independent sector, created and operated by private individuals, is an important part of civil society. Examples of organizations that are a part of civil society are labor unions, faith-based groups, human-rights groups, environmental-protection organizations, support groups providing social welfare services to needy people, independent newspaper and magazine publishers, independent and private schools, community service clubs, and professional associations. A person may belong to many independent sector organizations during a lifetime. Americans, for example, have a long tradition of numerous memberships in voluntary, nongovernmental organizations.

Participating in charitable nongovernmental organizations opens up opportunities for philanthropy. In America, citizens who participate in the groups that are part of civil society are much more likely to give time, goods, and money to worthy causes than those who are not.

Citizen participation in civil society builds social capital. *Social capital* is the ability of people to act together to meet community needs, solve public problems, and improve community life. The information network that brings a group of volunteers together to perform a community service is an example of social capital. Without the network, the service work might never occur. The network owns no buildings or equipment, but has value because it helps people to organize and do the work.

In doing philanthropic work, people need civic skills. They include the skills to organize others, become informed, vote, petition, discuss, write persuasive letters, and identify goals that are possible to achieve. Those skills are critical to social capital.

Social capital provides benefits in many ways. It results in improved neighborhoods, better schools, and services to people in need. Social capital benefits government as well. Civic participation by citizens makes government officials accountable. Citizens become responsible for activities, such as a community food bank, and government is able to focus on other community needs. Giving money, services, and time to the community adds to the common good for all citizens.

Philanthropy by citizens for the common good is a key element of a vibrant civil society. Without it, the chance of building and maintaining democracy and freedom are not good. By contrast, in totalitarian or despotic systems, citizens depend upon the government to solve all social and economic problems. Philanthropy is largely missing; if practiced, it must be hidden from governmental officials.

In contrast, constitutional democracy enables the people to protect individual rights to speech, assembly, and association. Those rights are necessary for philanthropy to be useful. Thus, a constitution protects civil society by guaranteeing the rights of individuals to join and operate nongovernmental or private sector organizations.

Democracy in America also receives bottom-up ("grassroots") support from community nongovernmental organizations acting for the public good. Civil society organizations are public guardians through which citizens take responsibility for their rights and hold public officials responsible. Through participation in organizational activities, members also acquire the knowledge, skills, and virtues that keep philanthropy and democracy going. Thus, community-based, independent sector organizations are places where citizens learn how to practice philanthropy and democracy in America.

Trends and Patterns of Philanthropy and Civil Society in American Democracy

Imagine traveling through another country noticing how its citizens participate in civil society. Then imagine that your observations are read and reread for nearly 200 years because they provided such thoughtful insights on civil society and government. This may seem far-fetched, but that is how the observations of Alexis de Tocqueville, a French visitor to the United States, have been seen since the 1830s. Tocqueville observed and praised Americans' philanthropic and democratic participation in civil society organizations, in his book *Democracy in America.*

Tocqueville saw civil society as the collection of voluntary groups of citizens that assisted individuals in interactions with their government. He saw that this network of groups cooperated among themselves to achieve worthy public purposes. He emphasized the public good achieved by people acting together in a lawful and civic manner in voluntary, community-based organizations. Americans, he believed, showed the world how to make democracy work for both the community and the individual through the interactions of civil society and government.

Tocqueville noted the fundamental place of philanthropy in American life through the voluntary associations. In 1831–1832, he observed,

> Americans of all ages, all conditions, and all dispositions constantly form associations. They have not only commercial and manufacturing companies in which all take part, but associations of a thousand other kinds, religious, moral, serious, futile, general or restricted, enormous or diminutive. The Americans make associations to give entertainments, to found seminaries, to build inns, to construct churches, to diffuse books, to send missionaries to the antipodes; in this manner they found hospitals, prisons, and schools. If it is proposed to inculcate some truths or to foster some example, they form a society. Wherever at the head of some new undertaking you see the government of France, or a man of rank in England, in the United States you will be sure to find an association.

Social Categories of Giving Category	*Percentage of Giving to Particular Category*
1. Arts, culture, humanities	4
2. Education	13
3. Environment/Animals	2
4. Health	7
5. Human services	9
6. International affairs	3
7. Gifts to foundations	10
8. Unallocated giving	10
9. Faith-based organizations	33
10. Public-society benefit	8
11. Foundation grants to individuals	1

Figure D.2 Households and Philanthropy, 2009

SOURCE: From *Giving USA Foundation Annual Report,* 2010, Washington, DC.

According to Alexis de Tocqueville, citizens in the American democracy readily used their constitutionally protected rights to participate in and contribute to the political and civic life of the community. He called this "self-interest rightly understood." It was through freely made, voluntary contributions to the good of the community that citizens helped one another to maintain the public well-being needed to pursue personal and private interests. Tocqueville wrote, "The principle of self-interest rightly understood is not a lofty one, but it is clear and sure. . . . Each American knows when to sacrifice some of his private interests to save the rest."

According to Tocqueville, the success of American democracy was due to the "enlightened self-interest" of citizens who regularly and freely contributed to the common good.

Civic giving certainly has been a long-time tradition in America. Throughout the 19th, 20th, and 21st centuries, philanthropy was much greater in America than in any other country. In recent years, more than two thirds of households in the United States annually made financial contributions for the welfare of their community; the average contribution in 2009 was $2,000. Types of contributions and percentages of households contributing to them are shown in Figure D.2.

More than 65 percent of adult Americans contribute voluntary service annually. The total value of this volunteered time is estimated to be $225.9 billion.

As in Tocqueville's time, philanthropy in America today is strongly related to participation in civil society. There are more than 1.4 million independent sector organizations in America, including faith-based institutions; clubs, such as Rotary International, and service organizations, such as Food Bank. More than 80 percent of the members of those organizations give to their communities each year. By contrast, fewer than 40 percent of people who do not belong to independent sector organizations give to community causes. Further, members of civil society or independent sector organizations are ten times more likely to give to community causes than nonmembers. Social capital is very strongly reflected by community service, even more so than is financial capital.

Long ago, Tocqueville noticed the connection between faith-based organizations and philanthropy. Today, persons who attend faith-based institutions regularly are more likely to give to community causes than those who do not. For example, among those who attend faith-based services regularly, 54 percent volunteer, in contrast to only 32 percent of those who do not attend regularly. Further, those who attend faith-based institutions contribute 70 percent of the hours given each month to voluntary community service. This illustrates social capital. People in social networks, such as faith-based organizations, are more likely to be asked to give.

Persons involved in faith-based organizations more often give to community causes (see Figure D.3). This supports Tocqueville's claim that the success of civil society depends upon a high level of morality among the people. So democracy in America requires civic morality.

Other factors related to civic giving are education, income, and age. Persons with higher levels of education and income give more. As Figure D.4 shows, people in their middle years, 35 to 54 years of age, are more likely to volunteer through associations and be philanthropic than persons in younger or older age groups.

Although giving in America remains high compared to other countries, it has decreased during the past 40 years. Giving has declined gradually among members of both faith-based and secular organizations. Volunteer service by young Americans (18–25 years of age) is strong. Young people are more likely to volunteer, but they avoid government and political issues to a greater degree than older Americans. Yet they tended to be disinterested in politics, government, and civic affairs.

During the past ten years, civic leaders have expressed great concern about civic and political apathy in the United States, especially among young Americans. A report of the National Commission on Civic Renewal, for example, warned, "In a time that cries out for civic action, we are in danger of becoming a nation of spectators." Others have agreed that the civic condition of the United States is weaker than it was and needs to be improved. Participation of citizens in their civil society and government has steadily declined.

Robert D. Putnam's book, *Bowling Alone: The Collapse and Revival of American Community,* makes a convincing case about the decline of civic and political participation in the United States. Putnam concludes, "Americans are playing virtually every aspect of the civic game less frequently today than we did two decades ago."

A. All Households	*Giving to Religious and Secular Organizations*
1. Households Giving to Faith-Based Organizations	60.6%
2. Households Giving Only to Secular Organizations	27.7%
3. Nongiving Households	11.7%
Total	100.0%
B. All Charitable Contributions	*Annual Giving to All Causes by Source*
1. Households Giving to Faith-Based Organizations	87.5%
2. Households Giving Only to Secular Organizations	12.5%
Total	100.0%

Figure D.3 Philanthropy and Membership in Religious Organizations

SOURCE: Adapted from *Faith and Philanthropy: The Connection Between Charitable Behavior and Giving to Religion,* by Christopher Toppe et al., 2002, p. 9, www.Independentsector.org.

Age Group	*Percentage of Group in Voluntary Activity*
1. 18–24	22.0%
2. 25–34	23.5%
3. 35–44	31.5%
4. 45–54	30.8%
5. 55–64	28.3%
6. 65+	23.9%

Figure D.4 Relationship of Age Group to Voluntary Community Service

SOURCE: From *Bureau of Labor Statistics,* 2009, Washington, DC: U.S. Government.

The continuing strength of democracy in America depends upon involving citizens in both political and civic life. Community service without commitment to and participation in government is not sufficient to maintain democracy. The political alternatives to democracy, as we know it, are not likely to encourage a free and open society in which individuals join together to solve their problems. Civic engagement and philanthropy go together in a healthy democracy. What can be done to strengthen the connections of philanthropy, civil society, and democracy in 21st century America? The next section of this chapter looks at some promising ideas.

Promising Approaches for Strengthening Philanthropy and Democracy in 21st-Century America

In recent years, the U.S. government has established programs for civic renewal through voluntary public service. In various public statements, Presidents William J. Clinton, George W. Bush, and Barack Obama have called upon the American people to be civically involved and philanthropically committed to community service and the common good. President Bush, for example, challenged all Americans to give at least two years or 4,000 hours, during their lifetimes, in service to others.

The federal government has several programs that promote civic involvement and community service. These programs are AmeriCorps, Senior Corps, and Learn and Serve America. The programs are run by the Corporation for National and Community Service.

AmeriCorps programs support more than 75,000 persons each year in service to meet needs in education, the environment, public safety, homeland security, and other areas of public concern. In return for a year of full-time service, AmeriCorps members receive living expenses and a $4,725 education award to help pay for post-high school education.

An example of AmeriCorps voluntary service is provided by Justin Ceniceros of Texas. He worked to restore meadows in Fairfax, Virginia; to rehabilitate and repair a broken-down neighborhood in Philadelphia, Pennsylvania; and to tutor children in Washington, D.C. Thinking about his experiences, he wrote,

> AmeriCorps gave me the initiative to do things I never thought I could do, to be the person I always wanted to be. It's made me realize that life is what you make of it. When you take responsibility and grab initiative, you can make things happen.

Senior Corps is a set of three federal programs that use the skills of Americans age 55 or older to handle community problems and needs. Older citizens volunteer from a few hours a week to nearly full time. RSVP (Retired and Senior Volunteer Program), the largest of the three Senior Corps programs, connects older volunteers to various opportunities for service in their own communities, such as delivering hot meals to others, tending neighborhood gardens, or teaching English to immigrants. The Foster Grandparent Program involves older volunteers in one-on-one work with needy children, while the Senior Companion Program provides opportunities for older volunteers to help home-bound seniors meet their daily needs. Foster Grandparents and Senior Companions volunteer 15 to 40 hours a week and receive a small stipend for their service; RSVP volunteers can serve from just a few hours a week to nearly full time, depending on their preference.

Learn and Service America supports service-learning programs in schools, universities, and communities. Opportunities are provided for more than a million young Americans to connect community service with academic learning in schools. They build feelings of responsible citizenship. Community service includes education, public safety, human welfare services, and the environment.

The three major domestic programs—AmeriCorps, Senior Corps, and Learn and Serve America—are conducted in the spirit of an older international service program, the Peace Corps. Launched by President John F. Kennedy in 1961, the Peace Corps has sent American volunteers to more than 139 countries in all parts of the world. These volunteers have served teaching children, providing health care, digging wells, working on farms, and doing many other necessary jobs that help people improve their lives.

Shortly after the September 11, 2001, terrorist attacks, President George W. Bush called upon every American to get involved in strengthening America's communities and sharing America's compassion around the world. He called on every American to dedicate at least two years over the course of their lives to the service of others. He created the USA Freedom Corps to help Americans to answer his call. As a Coordinating Council housed at the White House, USA Freedom Corps is working to strengthen our culture of service and help find opportunities for every American to start volunteering.

While the national programs in civic involvement and service are large and well publicized, most philanthropy in the United States goes on in local communities. Organizations like the Rotary Club, Kiwanis Club, Lions Club, and the League of Women Voters are engaged. Extensive and various services are provided through faith-based organizations. The United Way provides opportunities for philanthropy in communities across the country.

Much philanthropy involves ordinary people providing service to improve their communities. The efforts of such people are described in a book titled *Local Heroes Changing America.* Photographers and interviewers for The Indivisible Project fanned out across the country to find and tell the stories of people working together to improve their communities. For example, the project reported on volunteer anticrime patrols in Delray Beach, Florida. These patrols have changed a crime-ridden and depressed community into a haven of safety, security, and prosperity. Farm workers in San Juan, Texas, founded a community association to help low-income families move from substandard housing to higher quality houses. The project's cameras also recorded the civic renewal achieved by voluntary civil associations in a rural community, Marshall, North Carolina, and in an inner-city neighborhood in Philadelphia, Pennsylvania. The common theme captured in those pictures is volunteers acting philanthropically to contribute to the common good.

School-based programs throughout the United States are important sources of community service.

More than 50 percent of the country's public and private schools provide community service opportunities for students from grades 6 through 12. In many public school districts across the nation, community service is an integral part of the curriculum. In the state of Maryland, students must perform approved community service to meet high school graduation requirements.

In many public and private schools, lessons on philanthropy and citizenship in a democracy are included in the curriculum. Some students may experience a few lessons on philanthropy while others take part in multi-lesson units or entire courses of instruction.

The Council of Michigan Foundations has produced another highly regarded philanthropy education program. The program for kindergarten through grade 12 is called *Learning to Give.* It includes lessons on the relationships between philanthropy, responsible citizenship, civil society, and democracy in America (see sample materials below). According to its program developers, *Learning to Give* is "designed to encourage young people to take positive action in their own lives, become involved in community initiatives, embrace ownership of their democratic society, and aspire to do good."

Learning to Give stresses learning by doing. Knowledge, skills, and attitudes about the connections of philanthropy, civil society, and democracy in America are taught through lessons that combine knowledge with experience of civic education.

Learning to Give: Philanthropy and You

An introductory lesson in the *Learning to Give* curriculum presents several sources, including those on the following pages, and asks students to develop a personal definition of philanthropy based on these materials. Do you think this is a good way to introduce the concept of philanthropy? How would you define the term based on these materials?

Philanthropist

A poem by Valerie Belay, *Learning to Give* Founding Teacher, 1997:

Philanthropist
Helper, giver, server, volunteer
Brother of humanity
Lover of the poor, the homeless and the sick
Who feels compelled, compassionate and driven
Who needs no thanks, flowers or tax credits
Who fears others' losses, hunger pangs and pain
Who gives time, money and service
Who would like to see an end to
Poverty, sickness, and undereducated children
Resident of my community
You

Definitions of Philanthropy

From Dr. Robert Payton, Richard Bentley, and Luana G. Nissan, Center on Philanthropy at Indiana University:

- The giving of one's time, talent, or treasure for the sake of another or for the common good.
- Voluntary action for the public good.
- Voluntary giving, voluntary service, and voluntary association primarily for the benefit of others.
- Giving and serving.
- Active efforts to promote human welfare.

Information About Philanthropy

- Philanthropy is an individual responsibility. Only 25% of America's philanthropy is from corporations and foundations. About 75% is from individuals.
- Philanthropy is practiced three ways: monetary contributions, volunteer activities, and in-kind contributions such as office space, transportation, etc.
- Major contributions of philanthropy have been in areas of benefiting others such as the women's movement, environmental movement and civil rights movement.
- Examples of nonprofit operations frequently supported by philanthropic giving are hospitals, faith-based organizations, schools, the Red Cross, and Girl Scouts.
- Philanthropy is learned behavior that has a benefit for all, can provide job skills, help build a resume, can be done at any age with any amount of money and time, and can be fun!
- No matter how little you have, you can always give—almost everyone in a civil society has given to others.

Conclusion

Civic education that stresses philanthropy is key to a strong democracy in the United States. If the United States is to have a healthy constitutional democracy in the 21st century, then young people must learn how to practice philanthropy in civil society. Students must learn what philanthropy and civil society are, why they are important in a democracy, and how they depend upon civic participation by citizens. Further, they need to increase their knowledge and skills by working successfully with others in civil associations and volunteering to improve society. Finally, students in schools must develop civic attitudes favoring philanthropy in order to maintain and improve democracy.

Education about philanthropy in civil society should not end in the 12th grade. If democracy is to be strengthened, then adults must also participate in learning about the connections between philanthropy, civil society, and democracy. Adult education for democracy is most easily and practically experienced through participation in the voluntary associations of civil society, such as labor unions, professional associations, community service clubs, and faith-based organizations.

Alexis de Tocqueville noted the importance of formal and informal education of Americans for responsible citizenship in democracy. He identified the important role of civic knowledge and skills. However, he viewed civic morality, or commitment to do what is "right and just," as the most important characteristic to be learned by citizens. Tocqueville wrote,

> It cannot be doubted that in the United States the instruction of the people powerfully contributes to the support of the democratic republic; and such must always be the case, I believe, where the instruction which enlightens the understanding is not separated from the moral education which amends the heart.

Tocqueville stressed that a good constitution, good institutions of government, and good laws are necessary. However, they are not enough for a healthy democracy. Tocqueville concluded that strong moral qualities or "habits of the heart" were essential for citizens to practice philanthropy. Let us, then, resolve to revitalize and renew democratic citizenship in America through life-long civic education that stresses the morality of public action for the common good. Public action for the common good, Tocqueville's "habits of the heart," is the solid foundation for philanthropy in a free and open society that will nourish democracy and freedom in the United States.

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2. Civic and Philanthropic Action on a Global Scale

Jon Van Til

Philanthropy has developed into a global activity. Regions of the world that knew very little of organized giving have developed deep commitments to supporting nonprofit and philanthropic organizations. They have had to develop a national philanthropic "habit of mind." Some countries lacked a philanthropic "habit of mind" because the government wanted to provide all the necessities of living. In other countries the government did little, and nonprofit and volunteer organizations took on great influence, becoming more important than local and national government in the process. International philanthropy is an interesting balance of too much versus too little. This chapter uses several case studies to explore both the emergence and the growth of philanthropy as a *social and civic responsibility*, which is the ability and means among individuals and groups to take action in a positive manner for the common good.

Philanthropy in a Global Society

Will the civic/philanthropic sector continue to find a place in the new global society in spite of national economic issues and the emergence of the global economy? One expert who believes so is Lester Salamon, a leader in the study of international philanthropy. He says that the death of this sector has "been greatly exaggerated." Salamon claims the international philanthropic sector "remains a major presence in virtually every country of the world. Whether measured by what it does, or in more traditional economic terms, this set of institutions is a major force in our social and economic life" (Salamon and Anheier, 1997, p. 23).

How are global changes reflected in 21st-century economics and civic forces? Paul Cantor has studied the changes and concludes:

> In the face of global economic forces, individual nation[s] are increasingly compelled to allow markets to dictate their policies, rather than dictating policies to markets. . . . As economic organization progressively takes the form of globalized free markets, nation[s] begin to lose much of their reason for existence and also find the scope of their authority greatly reduced. (Cantor, 2001, p. 197)

Thus, during the 20th century attention was focused on independence for former colonies in Africa and Asia. Great efforts were made to help these governments function for their citizens and to increase their citizens' feelings of social responsibility. The 21st century began with the focus on global mega-corporations rather than national governments. National governments have often been challenged with problems of divisions in the country and cultural conflicts (Barber, 1996). Solving those conflicts and building social responsibility presents challenges to international philanthropy.

Philanthropy for a *civil society* is the work of individuals, families, corporations, and governments in every country of the world. *Civil society* is the network of voluntary groups. They act on their own or as partners with state agencies. Civil society is a public domain or independent

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sector created and operated by private individuals. In some countries, philanthropy is mainly the result of individuals giving time and resources. In other countries, large businesses and individuals are giving. Governments that encourage philanthropy also gain from it through public participation. In this chapter we look closely at two cases: Northern Ireland and Hungary. Recent experiences in these two places show us the ways in which national and global societies have changed.

Northern Ireland (1968–1998): Weak Government and Strong Civic Sector

If Americans have heard of Northern Ireland, chances are they have an image of violence between Catholics and Protestants. To be sure, in the 30 years from 1969 through 1998, a time the Northern Irish recall as "The Troubles," more than 3,000 individuals were killed in political violence (O'Leary and McGarry, 1996, p. 36).

Northern Ireland, despite its name, is not a part of the Republic of Ireland, though it is located on the northeastern corner of the island of Ireland (Eire). Northern Ireland is a province of the United Kingdom, which also includes Wales, Scotland, and England.

The conflict between Catholics and Protestants in Northern Ireland goes back well over 400 years. While it would take a book in itself to explain that conflict, the issue is this: Northern Ireland's 1.5 million people include a large group who believe strongly that they should be part of the Republic of Ireland. The Republic of Ireland gained independence from Britain in the 1920s. Most of these protesters are Catholics. They call themselves "Nationalists" or "Republicans" (that is, loyal to the Republic of Ireland, which is mainly Catholic). Most Protestants, on the other hand, consider themselves "Unionists" or "Loyalists" and wish to remain united to Britain and loyal to the Queen of England.

Confusing? Well, just imagine that a large minority group in the United States made it clear that its members did not want to vote in American elections or even consider themselves Americans. Moreover, some of them felt so strongly about their views that they were willing to organize themselves into paramilitary forces. They revolted against those who disagreed with them, including the police and the army. Such problems clearly would give rise to "Troubles," and so it was in Northern Ireland.

After years of violence, the two sides agreed in 1998 to settle their grievances peacefully. The "Good Friday" agreement reduced the level of violence in Northern Ireland. A major effort at civic cooperation has led to a shared power arrangement within government. The result has been a greater sense of peace and security. Yet there is still much work to do.

A look at the four sectors of society in Northern Ireland—families, businesses, government, and voluntary organizations—provides an interesting picture. We see a society in which family life has been strong and businesses have allowed a decent standard of living. But it is a society that has failed to build a government under whose rule the greatest number of citizens are willing to live. When governments fail, much of the responsibility falls on the shoulders of organizations and people participating in civic and philanthropic activity. This is the case in Northern Ireland.

The lives and work of many individuals in Northern Ireland show the power of civic and philanthropic activity. They have helped reshape Northern Ireland for the benefit of its people.

Dr. Arthur P. Williamson is one such individual. Born to Protestant parents in the Northern Irish City of Armagh, Williamson is a historian who has studied civic organizations in Northern Ireland. He also established the Centre for Voluntary Action Studies at the University of Coleraine.

Dr. Williamson has demonstrated that research can bring people of differing backgrounds together. He has made detailed notes of people's actions. Studying civic and voluntary action in its many forms, he observes that in Northern Ireland the separate groups have performed many of the functions that government would normally provide. Since Northern Ireland's government has often been challenged by the very different views of its Protestant and Catholic leaders, finding ways to live and work together has frequently become the task of civic and philanthropic organizations.

In his community life, Arthur Williamson has also shown how local organizations can meet important human needs. He is a cofounder of the Sandel Community Association. This association brings persons of different backgrounds together for nondenominational worship, socializing, and service to the broader community.

Karen Johnston is a generation younger than Williamson. She grew up in Derry, a lovely walled city that has often been a battleground for opposing forces. The River Foyle divides the city into Waterside, a largely Protestant area, and Cityside, the historical city center.

Like Karen Johnston, *Glen Barr* was born in the Waterside area of Derry, and he still works there as the Chief Executive Officer of the Ebrington Maydown Corporation. Glen did well in high school, but his family lacked the resources to send him to college. He became an electrician and an active member in the labor union at a large power plant. One day the managers of the plant were to hold a meeting and they needed a room. The workers' break room was taken for the meeting. The

In Her Own Words: Karen Johnston

Interviewed by Jon Van Til in Derry, May 2002

I grew up in the Waterside area of Derry. My family was Catholic, but we also had some Protestants in our background. My family's house was in a Loyalist (Protestant) area. I first understood that there was a difference between the two communities when I learned that my best friend would not be going to the same school as me. Because of the way things are here, she went to what you would call a public school, and I was sent to a parochial school.

I wasn't the brainiest in the class, but I was above average. I was sort of a tom-boy and participated in a lot of sports. I was lucky enough to be chosen in a cross-community project, "Water Under the Bridge," that took up two years of my life. Twenty were selected for this program, ten from the Catholic community and ten from Protestants. We raised our own money to go on a sports holiday in the south of France.

I don't like to be told what to do, so I chose to go to a technical high school in Limavady, a largely Protestant town. My parents supported me in this, seeing that I was willing to take a 40-minute bus trip each way to get to and from school. I liked it there, because people didn't know who I was or where I was from. I did well enough to go to college and majored in leisure studies and began to work with youth groups in Derry.

I began to work with young people who fell through the net in school. I worked with them in groups, helping them develop skills and improving their view of life. It's been an amazing learning experience for me to be able to do this work. I've learned that it doesn't matter to a young person what side of the fence they are on—there are still health and employment issues.

My present task is to develop a "shadow (city) council" here in Derry. There will be 39 young people, ages 16 to 22, who will be named to this group. It will have its own constitution and will meet bi-monthly in council chambers. It's going to be formal, and last for two years. It will be the first time in our city that there will be a structured body of young people taking the responsibilities of council. They will set their own agenda.

Sometimes people are too quick to blame young people for a whole series of problems. These young people will all represent different areas and problems. The whole idea was developed by young people themselves; they brought it to City Council for their approval.

My job is to help make it work. It's new and challenging. Sometimes it's frustrating, because it isn't the top priority of Council. But they have their job to do, and so do I. And the energy of the young people is terrific: They say, "It's about time we have a voice."

tables normally used for the morning tea break were placed in the men's restroom. That was more than Glen and his colleagues could take, and they organized a strike to protest their working conditions.

As union influence grew and complaints about management increased, the union became powerful enough to shut down electrical power to all of Northern Ireland. As a result of his union leadership, Glen assumed an advisory role with a paramilitary organization called the Ulster Volunteer Force (UVF). The UVF members armed themselves. They believed they had to defend their community from an armed Catholic paramilitary group in a nearby community.

As the conflict between groups in Northern Ireland grew more serious, Glen realized that violence was not the answer to solve deep-seated social problems. His ability to be persuasive is shown in his group leadership. Working with a number of supporters, he founded what has become a major social agency to provide jobs, job training, and hope to the Waterside community. The Ebrington Centre now has a theater, a health club, a restaurant and pub, and other facilities to serve the needs of residents. Over the years, hundreds of Derry youth, both Protestant and Catholic, have learned useful construction and office skills at the Ebrington Centre.

Paddy Doherty, another Derry citizen, was an outstanding elementary school student. But his family did not have enough money to buy the books and uniforms required for high school attendance. While still a teenager, Paddy had to leave school. He became a carpenter. After he married, he was informed by local officials that a young Catholic father like him would have to wait many years for a housing unit. At that news, Paddy joined with other people to set up Derry's first credit union. When conflict between Catholics and Protestants increased, Paddy became the principal spokesperson for what became known as "Free Derry."

The Free Derry movement intended to provide the community with social responsibility. Bogside neighborhood declared itself an independent political entity. Derry police units were not permitted to enter. Free Derry helped the neighborhood develop its own civic structure, including government, police, and court systems. Few other civic enterprises have been so bold. The net effect was to win the attention and finally the support of the British government, which was responsible for developing a civil society in Northern Ireland. Though just one neighborhood, Free Derry, had accomplished that goal with the leadership of Paddy and others.

Like Glen Barr and his union's triumph, Paddy Doherty recognized that his long-term contribution would come from

In His Own Words: Paddy Doherty

Interviewed by Jon Van Til, March 21, 2002

In school I was an avid reader and a good student. But I was out of books and there was a scholarship at the local school and my father went up to see the headmaster and he said, "Look, you're wasting your time. On a docker's wages you could not buy his books. You might get a scholarship, but you'd have to buy his books, you'd have to buy his clothes. No use. Get him out and get him a job." I was at the top of my class. Maybe I resented that but looking back I might have ended up as a teacher. Which is what I tried to do.

There was arrogance in me that I could do almost anything. I became a carpenter because there was nothing else to do. When I didn't want to be a carpenter, I became a foreman for six months. I could've been a scientist. I was good at mathematics. I could've been a surgeon. I was good with my hands, any of those things. But those opportunities were blocked so I had to find a way around them in order to express myself.

When I met Eileen, I'd saved to get married. We had no house, no place to live. I said, "Let's get married first, that's the important thing, we're going to get married." She said, "But we've nowhere to live." I said, "God will provide. We will get married." And then I went looking for a house and I couldn't get one. And I said, "If I can't rent one, I'll build me one." They wouldn't even put me on the housing list then. At that time there were just no houses. It took me two years to build the house.

In 1960 we started what became the biggest community credit union in the world. We started with nine pounds sixteen shillings (less than $20). This year, we are having our building refurbished for the cost of two million pounds; our membership has twenty-four million pounds (about $50 million) on deposit.

I see apathy as frozen violence. You can sit on the people for so long but eventually they blow just like a volcano. So, I came up with the idea of setting up a community bank. We got one expert to come to advise us and he had all these books and he said, "You'll be breaking the Banking Act and all of these credit acts." And I said, "Is there anything wrong with me loaning money to my friend?" "No, no," he said. "Nothing wrong at all." So, we set up and it took ten years for the government to catch up with us and make us get registered. But that's all the money we had that night, nine pounds sixteen.

Later on, to rebuild the city of Derry was my vision. And it wasn't just about the building of the city, it was about the politics, it was about a whole range of stuff. There was an establishment to deal with.

I've learned that a tree will grow if it has proper soil, if it has proper sunlight, if it has proper water, all of that. Human beings are the same. They won't grow unless the atmosphere is correct for them. A tree won't grow in the desert without water. So, what you have to do is get the people involved in creating jobs for themselves, seeking education in every form, working together in groups.

building programs rather than protesting governmental policy. After a few years abroad, Paddy returned to Derry and found the city had been burned by protest fires and bomb explosions during the Troubles. Paddy would not give up. He developed the Inner City Trust, a nonprofit civic and philanthropic organization that he now directs. The trust has rebuilt dozens of historic buildings, created a thriving tourist and shopping area, and recently opened a magnificent new hotel. Of Paddy Doherty it can truly be said, "If you seek his monument, just walk around his city."

Arthur Williamson, Karen Johnston, Glen Barr, and Paddy Doherty are examples of citizens taking responsibility for their own peace and tranquility. In most countries, government provides those services. Citizen action cannot accomplish everything that governments can provide. Citizens who organize into paramilitary forces are not providing a civil solution. Citizens who separate their communities from the larger civil society do not provide a civil solution. Long-lasting solutions that allow people to live together peaceably and productively are needed.

Arthur Williamson has several recommendations for voluntary organizations in Northern Ireland:

> It is also essential that the many voluntary and community organizations that constitute the sector continue vigorously to represent disadvantaged sections of the population, provide appropriate and effective services, assist with building social infrastructure and community relations, and contribute to the social and economic development of the region. (Birrell and Williamson, 2001, pp. 217 218)

Dr. Derick Wilson (2001) is a leading figure in Northern Irish youth development. He is former director of the Corrymeela, a cross-community rural-based organization. Corrymeela permitted him to observe that conversations usually focused on sports or the weather rather than real issues. Real issues are job opportunity, equal rights, and social justice.

Progress occurs when positive and lasting relationships between individuals, families, and groups develop. This requires safe spaces that promote confidence between persons of differing backgrounds. Trust is the main ingredient for social progress in Northern Ireland. Building trust requires a vision of fairness, diversity, and interdependence. The civic and voluntary sectors can play a key role in achieving such a vision.

Hungary (1949–1989): Strong Government and Weak Civic Sector

Hungary throughout much of the 20th century faced just the opposite problem from the one that faced Northern Ireland. Totalitarian governments ruled Hungary during the 1930s and 1940s, and from 1949 to 1989 it had a Communist government. Leaders in those governments were in complete control of society, and civic action and philanthropy were not permitted. Several generations of Hungarians were born and raised with no knowledge of philanthropy—the organized giving of time, resources, and money. The government provided everything.

Democratic government returned to Hungary in 1989. Since then, individuals in the country have developed a civil society through civic and philanthropic action. One person in particular has taken a leading role: *George Soros*. Soros made a career for himself in financial investment, becoming one of the richest people in the world. His real passion, however, involved giving, and he became one of the world's most famous philanthropists.

According to a story in a Budapest newspaper, from December 23, 1939, young George, then a fourth-grader, showed up at the newspaper offices due to its appeal for donations for people in Finland. At the time, the Finns were resisting invasion by the Soviet Union. George opened his pencil case and retrieved two ten-pengo notes from among his belongings. When the editor questioned where George had gotten the money, he explained that he earned it by publishing a newspaper while on summer vacation and wished to donate it to the Finnish people (Kaufman, 2002, pp. 25–26). Thus, Soros began practicing philanthropy early.

Much later in his life, Soros founded the Open Society Institute. He has supported dozens of valuable individual and community programs in many countries of the world. One of the most imaginative programs involved sending several hundred photocopy machines to Hungary for use by students, researchers, writers, and scientists. Government officials had previously been able to prevent people from obtaining research papers, letters, and newspaper clippings. After the introduction of the machines, information moved much more swiftly among individuals and organizations. Soros's act of philanthropy changed one of the prime laws under totalitarianism, the control of information. Philanthropy made it possible for Hungarian society to create a more open government (Kaufman, 2002, p. 197).

Gabor Hegyesi was born in 1949, the year the Communists took control of Hungary. A sociologist by training, he joined his colleagues in the 1980s to found a voluntary organization to provide help for families in desperate need. The organization was called "Laresh," and its services were made available when a parent or child was hospitalized or otherwise disabled. Hegyesi believed it was foolish to believe the government could solve all of a country's problems.

The government was critical of the work by Gabor and his colleagues. Under communism, government officials declared that all needs were met. Convincing the government to license their civic work was difficult.

In His Own Words: Gabor Hegyesi

Interviewed by Jon Van Til, May 16, 2002

My father was forced to serve in the "Jewish Army" in World War II. They were pushed through the fields where there may have been land mines. If they stepped on one, they would be blown up. After the Jewish army went through to clear the fields in this cruel fashion, the regular Hungarian army could then follow.

My father survived because he escaped. My grandmother hid him in a place under the floor of her house during 1944–1945. Jews during that time who were discovered by the fascist Hungarian government were taken to the banks of the Danube River and shot. Their bodies were then floated down the river.

I finished my undergraduate work in 1973 and went to work in a sociological research institute. By that time, we were no longer ruled by a fascist government; the Communists had taken over after World War II.

Then came the late 1970s, a very exciting time in Hungary. A list began to circulate expressing opposition to the government. This petition had begun in Czechoslovakia with the name "Charta '77." It was a kind of declaration of independence. At my office, I was the first to sign it; ultimately, 11 more of the 40 people there did so. Overall, 302 people in Hungary signed.

All of us were interviewed by the police and many were expelled from their jobs or even the country. I was one who was removed from his job. But at that time, four of us had started to work on developing Laresh. So I took a part-time job as a social worker with Laresh in 1982.

One of our founding group worked for the government, where she tried to undermine the system from the inside. We tried to make alliances between the "internal opposition" and the "external opposition" to the way things were going.

We came up with the idea of offering home services to families with special needs. At that time there was a reform movement in Hungary to create "socialist enterprises" that would provide some social services. We met with a governmental official in charge of licensing these new efforts. We proposed Laresh as one such enterprise and developed its mission statement, structure, and plan for its support.

We then took our plan to the Ministry of Finance, to the Director of Services. She rejected the plan, arguing that the Hungarian government was already providing all these services. But while these discussions were going on, two things were happening in her family. At the very same time, both her father-in-law and her husband became sick and were placed in different hospitals. She was faced with the problem of how to care for her preschool child in the face of this family crisis. They lived in the country, had no close ties with her neighbors, and no other family in the area. She faced a crisis in how to cope.

By the second day of this crisis, she was really going crazy. She called Laresh to ask for help. Of course, we pretended to be very official and told her that we had been told that the government provided all the needed services. We asked her: "Why don't you go to the local government for help?" She broke out laughing. "You are absolutely right. I went to the local government and they told me they couldn't help in this situation. I was told it was my private responsibility. And I certainly was not ready to leave my child with a babysitter I found in the telephone book." After that, she gave us her support. She had learned that government can't do it all, that citizen action and volunteering to help each other when people are in need are also important.

Being able to provide voluntary service to families, however, did not create all the change Gabor Hegyesi desired. He publicly supported the growth of democratic rights and practices in Hungary. After the fall of the Communist government, Gabor became the leading force in support of voluntary and civic action in Hungary. Today he directs an important university program that educates and trains people to become leaders of civic and philanthropic organizations.

Another leading Hungarian civic activist, *Nilda Bullain,* was a high school student when the Communist government fell in 1989. Nilda's parents and grandparents were all active politically. As a teenager, Nilda campaigned in Hungary's elections following the fall of communism. Strongly motivated to spread social justice, she knew that Hungary's future would require strong civic and philanthropic action. As a young adult, she entered law school and became active in a number of feminist and community organizations. Her present position is as Executive Director of the International Center for Nonprofit Law.

In Her Own Words: Nilda Bullain

Interviewed by Jon Van Til, August 13, 2002

My mother is a leading scholar and activist in social development in Hungary. She was part of the team of academics who fought to introduce social policy and social work into higher education institutions in Hungary in the early 1980s. Until then, under the official socialist ideology, there could not be social problems in the country and therefore there was no need for social policy or social work in addressing them. So my mother's success also meant that the socialist state acknowledged that they were struggling with unemployment, poverty, and discrimination just as western countries.

In my teenage years I often accompanied my mother to blighted areas of Hungary; I saw impoverished regions, gypsy colonies, destroyed nature, and destroyed lives. Much of what I saw was not known for an average Hungarian adult, let alone a teenager from a middle-class family.

Based on this experience it was inevitable that I became involved in alternative movements at the time of the change of the political system (1988–1989). These were groups that organized themselves around alternative values as they did not want to follow the course of either socialism or capitalism. The membership consisted of anarchists, feminists, and environmentalists—perceived as radicals by the society at that time. It was from this movement that the first women's organization was formed in 1991, called the Feminist Network, of which I was a founding member as well.

I experienced in the Network that while we wanted to achieve a lot of important things, we did not have enough skills and expertise to effectively reach our goals. There was some element missing that I could not define until I came across an initiative by American citizens who were doing research on the development of democracy in Eastern Europe. They pointed out in their findings that while many NGOs (nongovernmental or civil society organizations) have been formed after the collapse of socialism, they lack the management know-how to make their work effective. This was how I started to work with the Civil Society Development Foundation (CSDF) Hungary, to build the capacity of Hungarian and East European NGOs so that they can better achieve their goals.

My work in CSDF Hungary contributed to the development of professional know-how among the NGOs. Professionalism in NGOs is needed to ensure that they can achieve the changes they set out to accomplish. For example, the Feminist Network actually fell apart after a few years due to the lack of management capacity. It gave way to several new and successful women's organizations that had already learned how to set up their structures, plan their projects, raise funds for their programs, communicate about what they do, etc. Ultimately, my work and the Foundation's work helped strengthen democracy through strengthening the NGOs that help control government and perform a lion's share of public services in Hungary today.

Giving by individuals is the major source of philanthropy. Private companies and governmental agencies support philanthropic organizations. Civil societies, in order to grow and function properly, need a balanced approach to philanthropy. The goal is to meet more fully the needs of the country. In Hungary, balancing nongovernmental with governmental action in support of the civil society did that.

Working for a Civil Society in Other Places

Philanthropy occurs in other parts of the world as well. It exists in almost every culture and often in very advanced forms. Among the Yoruba peoples of southwestern Nigeria, for instance, giving involves a complex set of obligations. If a Yoruba receives a gift from someone, the recipient is obliged to give something back in return. The act of giving not only helps someone in need, but it also links the receiving person more closely to the giver. The person receiving is also a giving person. The individuals are then on equal terms, since both have given and both have received. Similar traditions of giving are widely observed among many ethnic and cultural groups.

Just as faith-based beliefs are important to philanthropy in Northern Ireland, they are also important in Africa. In Islamic regions of West Africa, the religious leader, or imam, usually directs philanthropy. The imam receives gifts in the form of a tax from all Muslims and then redistributes the gifts (Feierman, 1998).

Archbishop Desmond Tutu provides another African example of philanthropy. Reverend Tutu has given considerably to promote a civil society, devoting his life to helping others. First, he served as a teacher in a Bantu school in South Africa. He next studied to be a minister and rose through the church ranks to become Archbishop and later the Secretary General of the South African Council of Churches. Through his opposition to apartheid and his efforts to promote a civil society in South Africa, he gained national and international fame.

In 1995, South African President Nelson Mandela gave Archbishop Tutu a major assignment: heading the Truth and Reconciliation Commission. The Commission examined the large number of human rights violations committed in South Africa between 1960 and the election of the black majority government. Service on the Commission required Archbishop Tutu to call on his years of service to others, his commitment to social justice, and his commitment to the civil society (Desmond Tutu Peace Foundation USA, 2002).

Philanthropy is equally important in Asia, which provides two outstanding 20th-century examples. The first was Mohandas Gandhi as leader of the Indian independence movement. He took traditional Hindu religious concepts and transformed them into social and political ideas. Giving by all Indians to help build a democratic society based on participation was one of the building blocks of independence.

The second example of giving in India was the result of cultural pluralism, the mixing of traditions from several different cultural and ethnic groups. Agnes Gonxha Bojaxhiu was born in Skopje, Macedonia, in 1910. At the age of 18, she joined the Sisters of Loretto, a Catholic order. She took the name "Teresa" after St. Teresa of Lesiux, patroness of the Missionaries. She became known as Sister Teresa and became one of the world's most revered women for her personal gifts and sacrifices to help the poor and ill of India and other countries.

In Calcutta in 1950, she formed a Catholic order of nuns called the Missionaries of Charity. This order began with 12 Catholic sisters in India. It has grown to include more than 3,000 sisters in 517 missions throughout 100 countries worldwide. In 1979 the woman known worldwide as *Mother Teresa* received the Nobel Peace Prize for her lifetime of giving to others (Catholic.net, 2004).

Meeting the Challenges of Global Society

George Soros, the Hungarian-born philanthropist, believes that global society can work effectively if it is an "open" society. What would that involve? He recommends:

1. An informed and active citizenry comes first. All of us should vote intelligently, express our thoughtful opinions, and join with others in organizations and actions.
2. When we act together, civic/philanthropic/voluntary associations will be formed. These organizations will be able to give a voice to many groups in society.
3. These organizations are not enough to build the civil society. Government and business must also play their roles assuring justice, a fair distribution of work and resources, and peace among persons, groups, and countries.

Increasingly, countries like Northern Ireland and Hungary are linked in a variety of ways with other countries. Hungary is part of the European Union (EU), which spans the European continent. Northern Ireland is also a member of the EU. Programs supported by the EU are designed to address social justice and peace. The EU focus on civil society allows philanthropy to assume an important role.

Contacts between community and philanthropic organizations that cross national borders have also increased. Philanthropic organizations like Habitat for Humanity, Heifer International, and Amnesty International operate on a global, rather than a national level. Individuals in many countries join in such international activity. Together, their philanthropic activity permits people to learn from each other and to work together to improve the world. It also enables them to build on special resources and experiences that people in various parts of the world may have.

One doesn't have to be rich or well connected to participate actively and effectively in global philanthropic activity. For example, students at Rutgers, the State University of New Jersey, participate in a ten-day study course in Northern Ireland. They listen to lectures from academic and organizational leaders, visit with community organizations, and share ideas with people in other places on how to improve the world.

Each year several guests who have developed important programs of community and philanthropic action in the United States join the Rutgers group. Among these individuals have been the leaders of the Center for Youth as Resources (CYR), an organization that supports more than 90 organizations in three countries. CYR enables young people to play full and important roles in developing their own programs of philanthropic action. The young people create activities to make their communities better places. But that is not all they do: they also serve as members of the board of directors of the program; they join with adults to raise funds to pay for programs they develop; and they select proposals for projects that seem most worthy of support.

When Rutgers students travel to Northern Ireland, they visit with young people to work actively on problems that trouble their communities. In 2003, for instance, one group of students met with leaders of youth-serving organizations. The goal was to provide opportunities for youth to leave paramilitary organizations that rule many of their ghetto communities. Those conversations among students will someday soon allow Northern Irish youths caught up in gangs to experience new ways to address issues. Some will visit the United States to observe community philanthropy.

Many people help with international philanthropy. Student groups, members of faith-based organizations, members of service organizations, and individuals all participate. Philanthropy involves changing the world on a person-to-person basis. As the old expression goes: Try it, you will like it!

Conclusion

This chapter illustrated some important ideas by people who have sought to enhance civic action and philanthropy in other countries. In brief, the lessons are:

1. Civic action and philanthropy are not just American ideas. The actions and organizations represented by civic action and philanthropy are found in every culture. In Northern Ireland and Hungary, they have proven to be critically important.
2. Civic action and philanthropy do not substitute for the workings of government. Instead, a strong commitment to civic participation is necessary. Democratic institutions are needed for a balanced and effective "open society." Too much government prevents civic participation, but civic action alone cannot guarantee stability and peace.
3. What is true for the relationship between civic action and government is also true for relations with economic and family organizations. "Free market capitalism" needs a thriving democratic government and vital civic activity if the needs of citizens are to be met. Families can only support their members if opportunities exist for each to grow and develop, find employment, and actively participate in governmental and civic life.

A modern society resembles a table with four legs. Each of the legs is necessary to support the entire table, but each leg must have enough strength to support its role, or the table will topple. Think of each leg as one of the following: family, government, civic/philanthropy, and business. Each leg needs to be the right size for the society to be able to support its population. All are necessary, and none by itself is sufficient (Van Til, 2000). There is no escape from the necessity of balanced social development in our global society. Philanthropy has a critical role to play as the future unfolds for people in many regions of the world.

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3. Geography of Philanthropy in the United States

Mark Wilson

Philanthropy and geography are connected. *Philanthropy* is the voluntary giving of money, services, and time. Philanthropy is provided by many *nonprofit* and *nongovernmental* organizations. Those organizations may work with government, but they are not a part of local, state, or national governments.

The local community is a place where philanthropy begins. The community's geography is based on its cultural groups, economic activities, and environment. Many examples of philanthropy can be found in almost all places. Every community that has a United Way is a location with philanthropy. Every community that has a service club, such as Rotary or Kiwanis, is a site for philanthropy.

Some communities get much attention for their philanthropic activities. Santa Barbara, California, for example, is a place where philanthropy makes front-page headlines because of who participates in philanthropic activities in that city. A newspaper report about an event to raise funds for philanthropy highlighted an appearance by Oprah Winfrey, the television talk show host, author, and Hollywood celebrity (Overend, 2003).

While Santa Barbara is home to many rich and famous people, it also is home to many people whose families have lived there for several generations. It is a small city located on the California coast about 90 miles north of Los Angeles. It has museums and a symphony orchestra, both supported by donations. It has homeless shelters, groups that work to protect the environment, and community education programs that offer lifelong learning opportunities to residents. Those programs are also supported by donations. While the rich and famous attract the headlines, most residents of Santa Barbara give money, services, and time as a way to develop civic pride and responsibility within the community.

Not all communities are exactly like Santa Barbara in terms of the people who live there or its location along the Pacific Ocean. However, people in most communities recognize the importance of philanthropy and participate in giving time, services, and money. They view philanthropy as a way to improve civic life in the place where they live.

Local philanthropy affects the daily lives of most people. You may not recognize it in your own community, but *nonprofit, nongovernmental organizations* help make most communities function successfully. Nonprofit organizations obtain funds through donations and the services they are paid to provide. Many nonprofit organizations invest their money and earn interest or dividends. As we think about it, the name nonprofit may seem incorrect. However, for-profit and nonprofit organizations are quite different. The nonprofit must spend its earnings on the programs it offers. For-profit organizations can spend their income in many ways. Nongovernmental organizations are not a part of local, state, or national government. Sometimes they work with governmental agencies, and at other times they are entirely separate.

When people are considering visiting a museum, they usually want to know "where" it is located and "what" is there. For example, people from all over the world visit the Field Museum in Chicago. The museum was a gift from Marshall Field, a businessperson and philanthropist during the early 20th century. Visitors need to know "where" the museum is and "what" they will find there. Think about museums, sports facilities, medical centers,

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or recreational or school programs you have visited. Some may have been close to where you live. Visiting others may have required you to travel across town or to another city or state. In each case you were interested in knowing "where" the facility was located and "what" was there.

Geographers are interested in philanthropy for some of the same reasons. For example, geographers can discover much about a *place* by studying the "where" and "what" of the philanthropy at that place. Place refers to the human and physical features at a location that makes it different from all other places. Characteristics of place include culture, climate, land use, and natural hazards, among other features. The name of a place (e.g., Chicago, Michigan, or the Southwest United States) is also an important characteristic of the place.

Think about Santa Barbara as an example. The city has characteristics, such as museums, homeless shelters, and symphony orchestras, that give it civic qualities. Of course, not every place is like Santa Barbara. Towns and cities across the United States have differences. But they also have some similarities. While not every place has Oprah Winfrey, the people in most places practice philanthropy. They give to help others.

Another reason geographers study philanthropy is to determine what giving occurs in a county, a state, and a country. Some places have large amounts of philanthropic benefits and others have fewer. Mapping and analyzing the patterns of giving in the United States helps explain where and why giving occurs and who benefits.

Geographers use maps in the study of philanthropy. Maps are useful tools for presenting the "where" and "what" information. When geographers study philanthropy, they

1. use maps that show nonprofit activity at the national, state, city, and local levels;
2. observe patterns of philanthropic and nonprofit activity that reveal the importance of location;
3. compare the activities of nonprofit organizations with other parts of the economy; and
4. apply methods of geographic analysis to explain the patterns of philanthropy and nonprofit activities.

A Geographic Perspective on Philanthropic and Nonprofit Activities

Philanthropy at the National Scale

Philanthropic giving and nonprofit action occur in many forms, from one person helping another to large organizations contributing money, supplies, and services in many places in the United States. Much of the giving that occurs is not measured or widely publicized. Only those persons or organizations involved and the people receiving the benefits know they have made a difference. Yet this type of giving is good for society because it builds on the *civility* between individuals and groups that a democratic society requires. Civility means treating others with respect, as persons worthy of regard whether or not you agree with their positions on issues. What is the effect of giving money, services, and time on the common good?

Geographers use several ways to study the philanthropic and nonprofit sector in the United States. One approach is to study the reports of nonprofit organizations. Nonprofit organizations are registered with the Internal Revenue Service (IRS). IRS data tells where the nonprofit organizations are located, but the list is very long, so analyzing it would take a long time.

A map is a better way to show the information. Figure D.5 shows nonprofit organizations by state. By looking closely at the map, you can identify whether nonprofits are distributed evenly across the United States and, if not, which places have more nonprofits than others.

As you look at the map, imagine that you are looking for a job with a nonprofit organization. Are some states likely to have more jobs in the nonprofit sector than other states? How would the map help you make a decision about where to look for work? The job search could be in a specific state or in a region of the country, such as the northeast, southeast, west, etc.

You prefer living in Idaho to living in New York. Based on the map, what are the opportunities going to be in these two states? In frustration, you throw up your hands and ask: "Why are nonprofits more concentrated in some states and regions than in others?" What might the answer be? How could you investigate this question?

To answer such questions, researchers often look for another geographic distribution that they think may provide the reason. For example, population distribution may be important. You could ask: "Is there a relationship between the distribution of nonprofits and the population of the states?" A map showing the population distribution by state may provide the answer (Figure D.6).

How does the distribution of nonprofit organizations compare with population by state? The states and regions with the most nonprofit organizations also have higher population densities. The patterns on the maps suggest that there are more nonprofit organizations where there are more people. This is a positive relationship between population density and nonprofit organizations. Nonprofit organizations are located where there is a larger population to be served, as well as a larger number of people who give.

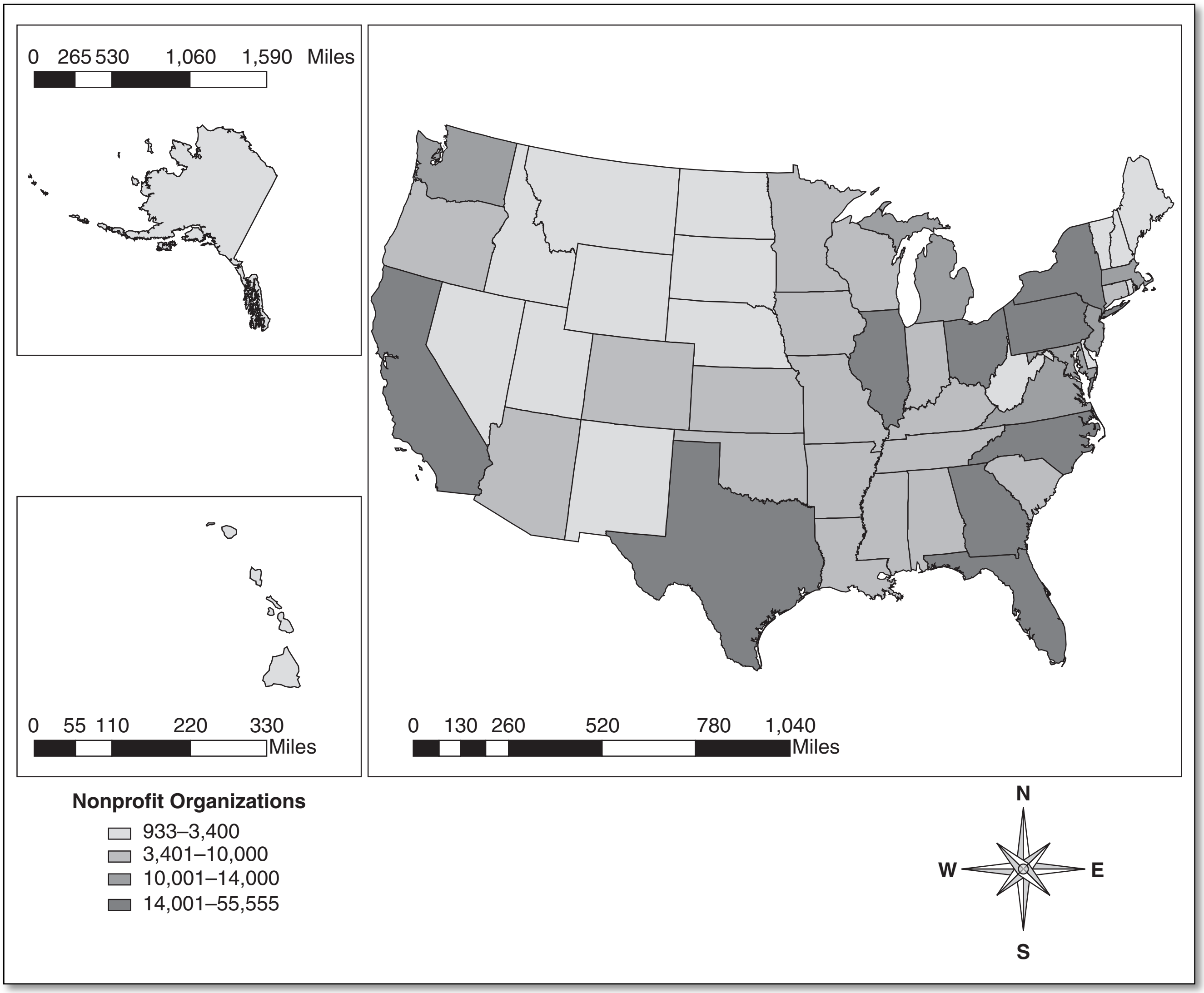

Figure D.5 Nonprofit Organizations by State, 2008

SOURCE: Map created by Jeremy Pyne from ESRI data, National Center for Charitable Statistics.

We now have some general information about the geography of philanthropy for the United States. We might ask how much money is spent per person per year in each state by nonprofit organizations? This is called expenditure per capita, which means per person. The total amount spent in a state is divided by the number of people in the state to develop this measure, expenditure per capita. The pattern on the map presenting this data (Figure D.7) is different from the two prior maps.

Figure D.7 is useful because it tells how much, on average, was spent on philanthropy for each person in your class and in your school. No, not everyone received that amount of money. Some people received more and others less. The per capita figure provides an easy way to compare the common good provided by philanthropy in each state. It states the value in dollars; people can compare $100 with $1,000 per capita and recognize the difference.

Philanthropy at the State Scale

The United States has 50 states, as shown on the prior maps. Geographers often change the scale of their analysis to focus on a single state. Changing the *scale* permits studying a particular state in greater detail. Small-scale maps show little detail, and usually show the world or a country. Large-scale maps show more detail. The neighborhood or community is shown with streets and buildings.

Using Michigan as a case study, Figure D.8 shows that nonprofit and philanthropic organizations are located in many cities and counties in the state. The map shows the locations of nonprofit organizations by county in the state. Counties are a useful political unit for mapping information.

In Grand Rapids, nonprofit and philanthropic organizations are concentrated near the center of the

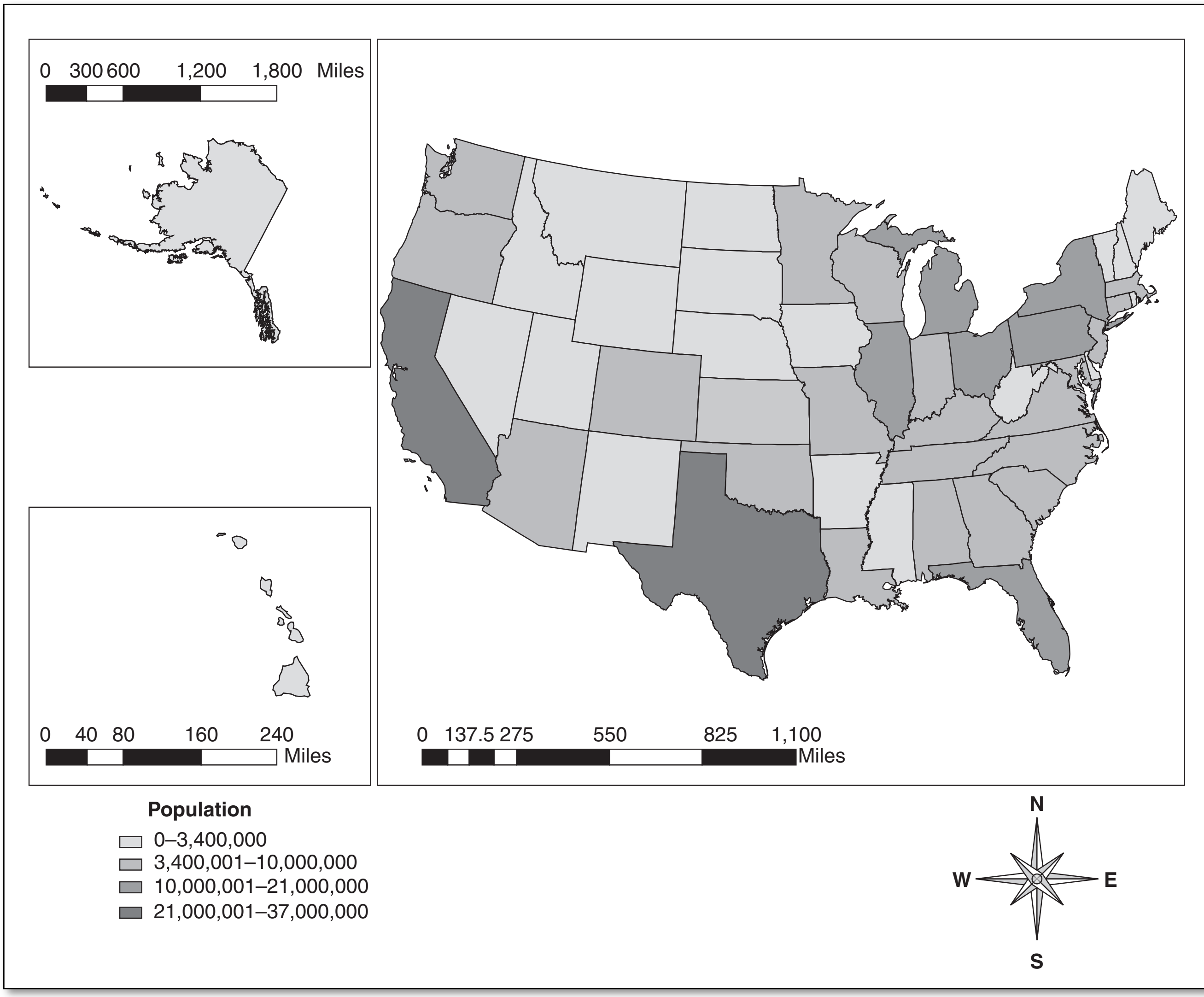

Figure D.6 Estimated Population of United States, by State in 2008

SOURCE: Map created by Jeremy Pyne from ESRI data, National Center for Charitable Statistics.

city, also referred to as the downtown. Organizations often choose a downtown location because it allows them to serve the entire city from one central location. The map also shows that some parts of the city have very few organizations. Nonprofit and philanthropic organizations in an urban area like Grand Rapids serve many people and other organizations. They often decide on their location in the city based on the services they provide. A homeless shelter will most likely be located within easy walking distance of locations where homeless people gather. The League of Women Voters may have their offices in a suburb since they rely on telephone, mail, and community meeting centers to provide services. For someone in high school, would it matter where nonprofit and philanthropic organizations are located? Should nonprofit organizations serving young adults, such as the YMCA or YWCA, be located downtown or in the suburbs?

Philanthropy at the Local Community Scale

The information at the scale of the state provided more detailed information than the national scale. A map at the scale of the city provides even more. Grand Rapids, the second largest city in Michigan, provides an example of philanthropy at the city scale. Figure D.9 shows in great detail the location and distribution of nonprofit and philanthropic organizations in Grand Rapids.

At the scale of the neighborhood, nonprofit and philanthropic organizations are often located on major streets, in commercial districts such as mini-malls, and at community centers. The locations at the neighborhood scale reflect two things.

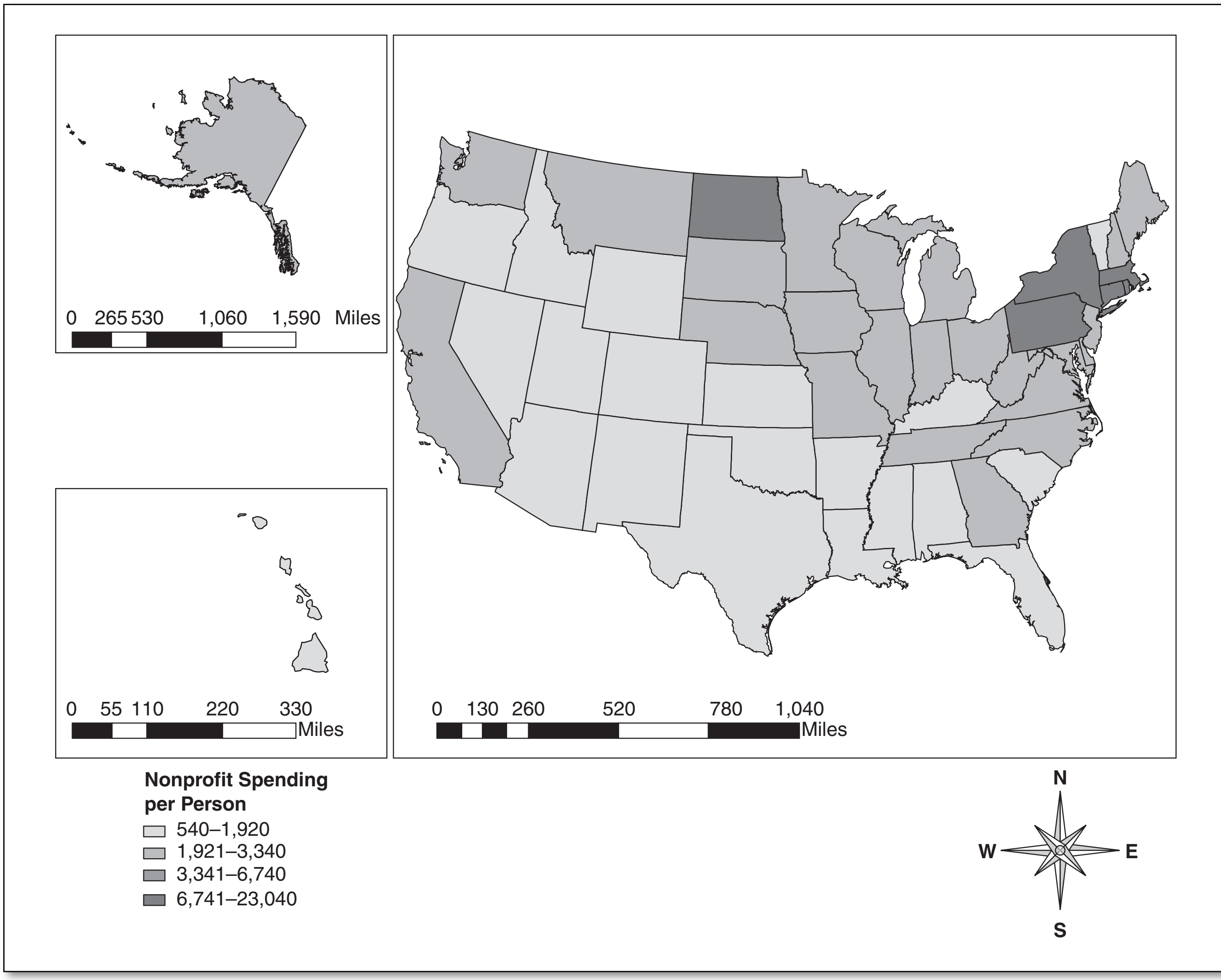

Figure D.7 Nonprofit Spending per Person in 1999

SOURCE: Map created by Jeremy Pyne from ESRI data, National Center for Charitable Statistics.

First, the history of the neighborhood as it relates to the nonprofit organizations is important. Were the nonprofits at that location for a long time? In the southeast region of Grand Rapids, organizations that operate from faith-based institutions and their properties are most common. In most instances, urban faith-based institutions have been located there for many years. In addition, they are often located near one another. A cluster of such institutions is not uncommon. Second, local zoning regulations set up by the city government help decide where nonprofits will be located. Decisions about zoning and land use should result in a common good. For example, educational and health services located where people can reach them easily contribute to the common good.

Philanthropy at the Neighborhood Scale

We have mapped the geography of nonprofit and philanthropic organizations at the national, state, and city levels and seen how changes in scale increase the information. One important map remains. For most people, the geographic scale they use most often is the neighborhood. Nonprofits and philanthropic organizations also operate at the neighborhood scale. Neighborhood residents see and can visit them each day; neighborhood nonprofits and philanthropic organizations may be where parents, relatives, and people in the neighborhood work.

Let's look into a Grand Rapids neighborhood. It is the southeast region of Grand Rapids, shown by Figure D.10. The map shows the distribution of religious, education, arts, and environmental organizations that provide services to this neighborhood. The services they provide may also be offered to people in other neighborhoods in the city.

The map of Michigan shows us that nonprofit and philanthropic organizations are found in every county of the state. However, they are not evenly distributed.

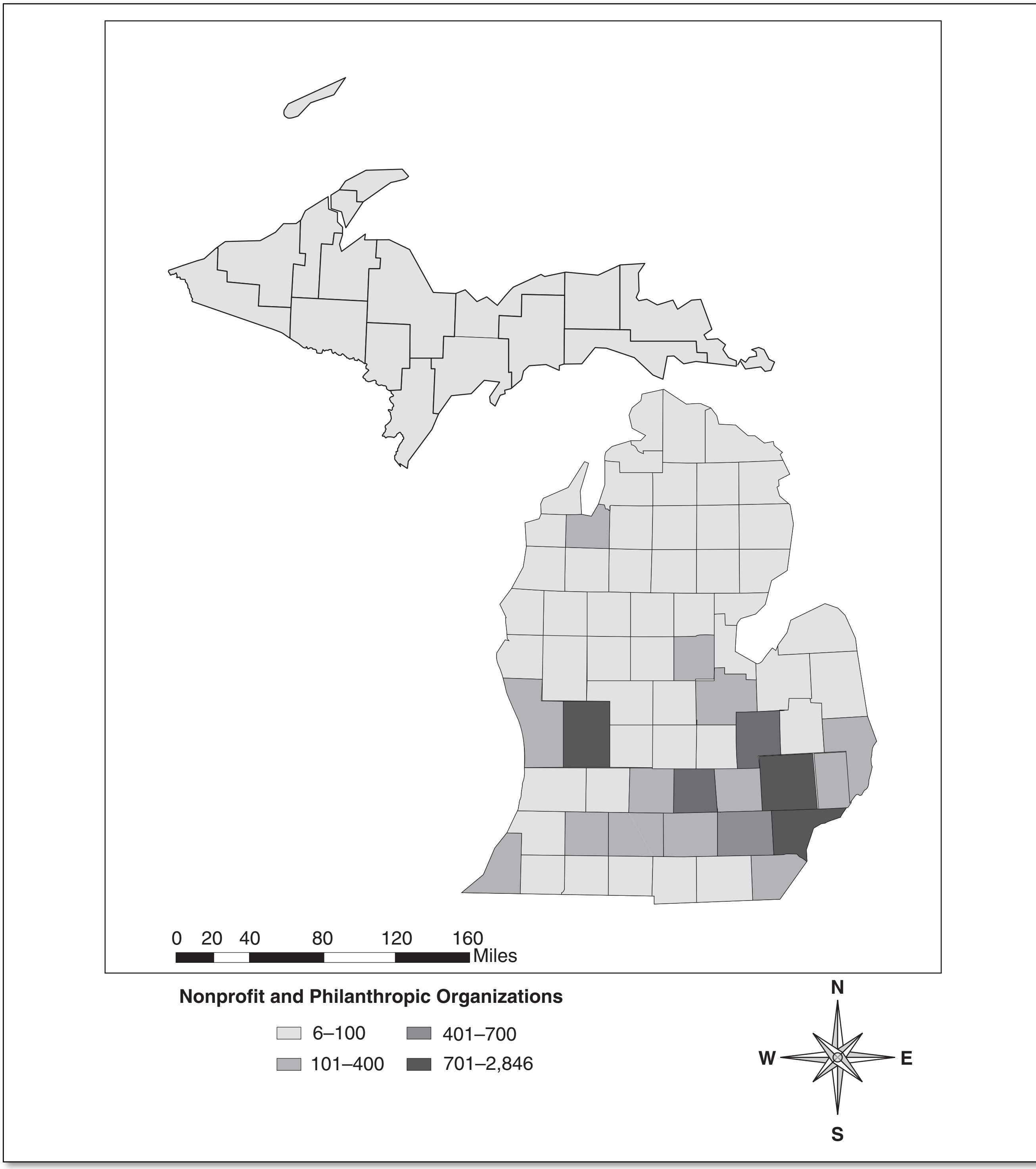

Figure D.8 Nonprofit and Philanthropic Organizations by County in Michigan in 2008

SOURCE: Map created by Jeremy Pyne from ESRI data, National Center for Charitable Statistics.

Instead, they are concentrated mainly in the southern part of the Lower Peninsula, where the population is greatest.

The number of nonprofit or philanthropic organizations is positively related to overall population, as is seen by examining the locations of cities. As the city size increases, so does the number of nonprofit organizations. There are several explanations for this. First, more resources are available in areas with more people. For example, there are more volunteers to provide services and more financial resources to pay for programs that

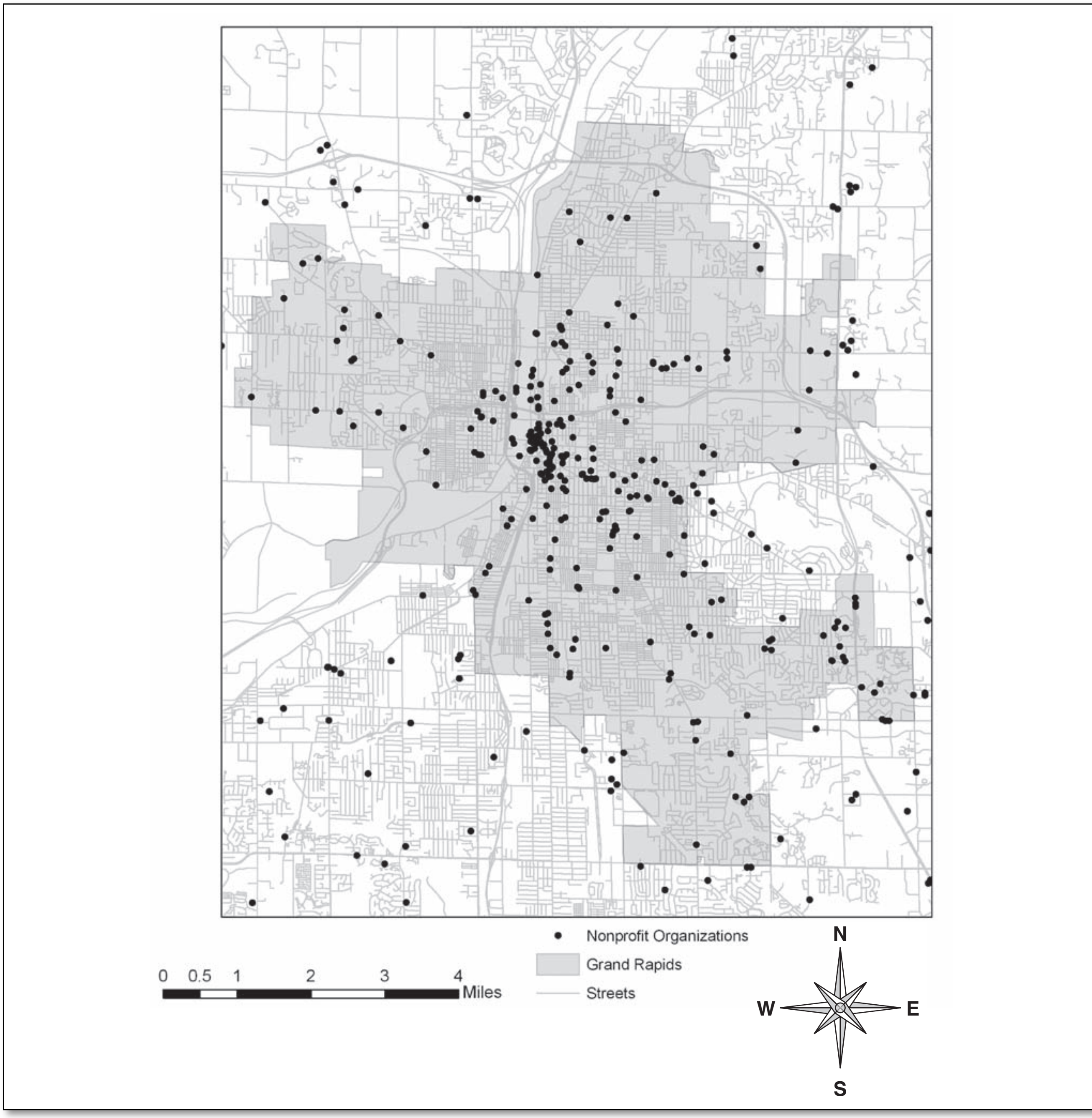

Figure D.9 Nonprofit and Philanthropic Organizations in Grand Rapids, Michigan, in 2006

SOURCE: Map created by Jeremy Pyne from ESRI data, National Center for Charitable Statistics.

organizations sponsor. Second, a larger population means greater demand for the services that are provided. For example, larger numbers of homebound people require more "meals on wheels" delivered, home cleaning and repairing services, and visiting health care workers.

The relationship between urban regions and philanthropy is usually clear. In other cases, zip code regions outside cities have quite a large number of nonprofit organizations. Think about the state where you live. What patterns would you expect to find? The National Center for Charitable Statistics provides information about the number of organizations by county for every state. It is an excellent data source for researching philanthropy in your state and local area (www.nccs.urban.org). People who work in philanthropy (such as directors of planned giving, United Way officials, etc.) and those who study philanthropy (geographers, historians, economists, government officials, etc.) use data and geographic information to draw and analyze maps such as those in this book.

Figure D.10 Nonprofit and Philanthropic Organizations in Southeast Region of Grand Rapids, Michigan, in 2006

SOURCE: Map created by Jeremy Pyne from ESRI data, National Center for Charitable Statistics.

Summarizing the Patterns on the Maps

The information presented on the maps allowed us to make some generalizations about philanthropy in the country, the state, the city, and the neighborhood. We concluded that nonprofit and philanthropic organizations tend to cluster in populated areas. This is called the spatial relationship between organizations and population density. Knowing where nonprofits are located is important. Imagine that a Goodwill Industries store is located in a neighborhood with high unemployment. A map of employment patterns and the location of the store may be mapped. A geographic analysis of the map will indicate where Goodwill can find people looking for work. Maps provide a way for nonprofit and philanthropic organizations to analyze the characteristics of the local area. By doing so,

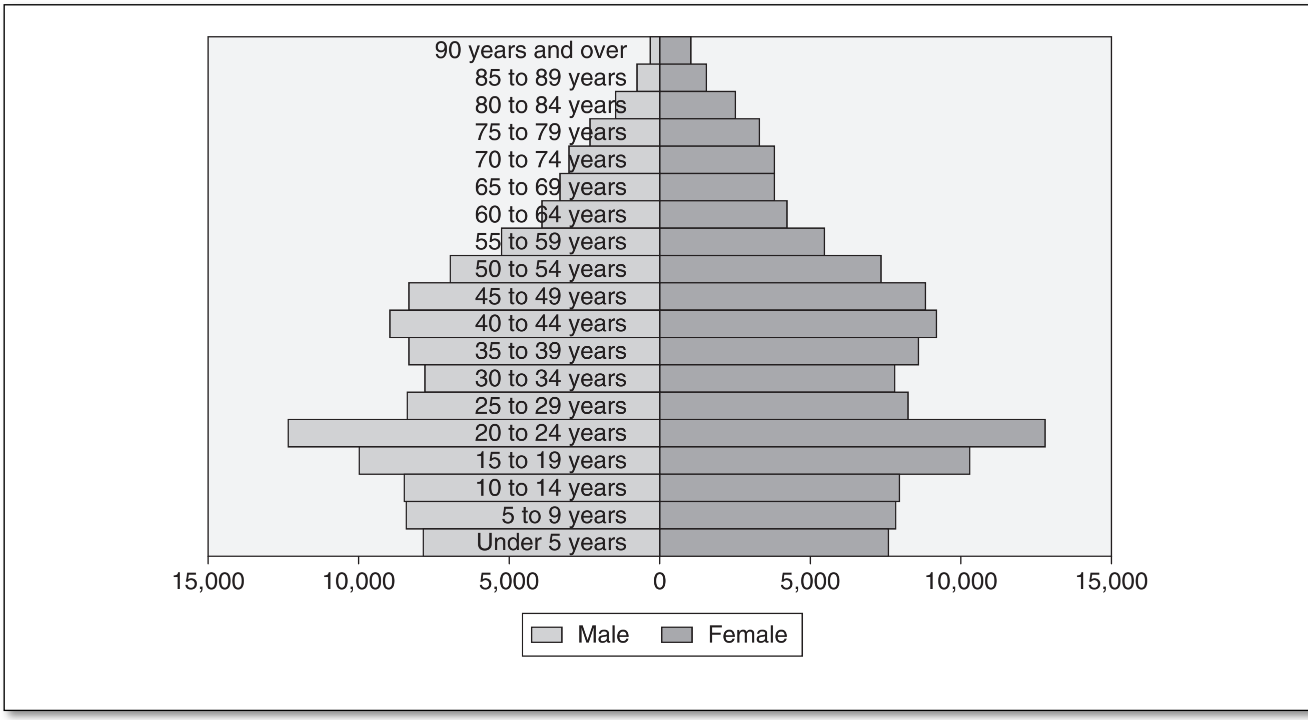

Figure D.11 Population Pyramid of Kalamazoo County, Michigan, in 2000

SOURCE: U.S Bureau of Census, 2000.

they learn who may need their services. Maps will also inform them of where they may obtain volunteers to donate time, people with special services, and the ability of the local population to give money to support civic projects.

Exploring a Community's Population

Nonprofit and philanthropic organizations need information about the populations they are serving. Are there many elderly people in the community? How many children are there and what are their ages? How many people in the community are able to volunteer time and services?

Those questions may be answered in part by examining a population pyramid of a community. Figure D.11 shows population data for Kalamazoo County, Michigan. This population pyramid shows the population of females and males in each age group from birth (0) to 90 plus years.

The population pyramid provides information about a community, the needs it may have, and the resources it may provide. Nonprofit and philanthropic organizations rely on such information to inform them about the population geography of the communities they serve. The population pyramid also informs those organizations about the giving and volunteering they might expect from a community. Knowing the number of people who live there and their age and gender is important in planning and providing services. For example, a large number of young people ages 15 to 24 live in Kalamazoo County. Many of these young people are students attending Western Michigan University, Kalamazoo College, and Kalamazoo Valley Community College; others are high school students and young adults not in college. This group is usually not able to donate large amounts of money to nonprofit and philanthropic organizations. However, they do have time. Volunteer time to help others is important social capital for the community. Nonprofit organizations may invite that large population of young adults to volunteer.

Employment by Nonprofit and Philanthropic Organizations

Employment opportunities and where they are located are both important geographic questions. In the United States

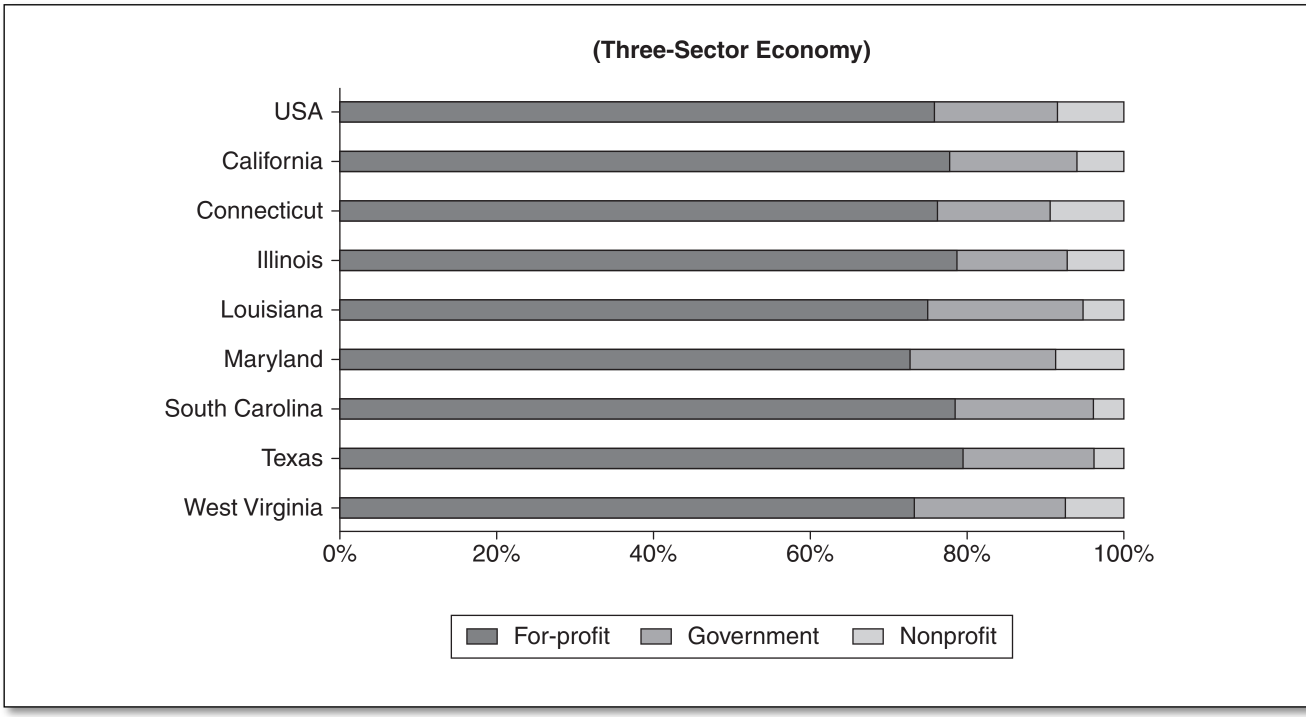

Figure D.12 Employment by Sector in Selected States in 2001

SOURCE: Created by Jeremy Pyne from ESRI data, National Center for Charitable Statistics.

in 2001, total employment of 129.6 million workers was divided between for-profit firms (98.4 million workers), government (20.3 million workers), and nonprofit organizations (10.9 million workers). In other words, for-profit firms employed 75.6% of the workforce, followed by government with 15.6%, and the nonprofit sector with 8.4%.

All 50 states can be compared in a table or graph. However, it is sometimes more revealing to examine a smaller number of states that have major differences. The sampled states can also represent different regions of the country. The sample of states may then be used to determine why differences occur. The pattern of employment in nonprofit organizations in the sample of states may then be compared to other states or to other regions.

Figure D.12 provides data on a sample of eight states in different regions of the United States. Looking at this data will allow us to see if the pattern of employment in nonprofits is the same or different from state to state.

The graph shows that the percentage of employment in the nonprofit sector is larger than the national average in Connecticut, Maryland, and West Virginia. Nonprofit employment is lower than the national average in California, Louisiana, South Carolina, and Texas.

Reasons for the Locations of NonProfit and Philanthropic Organizations

The location of nonprofit and philanthropic organizations in the United States is the result of many influences over the past two centuries. The major forces that have decided where nonprofits are located include (1) the early presence of the philanthropic organization at an ideal location, (2) resources, and (3) leadership.

Initial Presence

The presence of nonprofit and philanthropic organizations can often be traced to historic advantages at the place they were founded. Organizations that were started many years ago—some in the 1800s—are well established today. These organizations had the advantage of being first and were able to meet local needs. For example, Pittsburgh was the home of Andrew Carnegie, and the Carnegie Foundation had an early interest in improving life in Pennsylvania. The Kellogg Foundation was started in Battle Creek, Michigan, in 1934. One of its initial projects was the Michigan Community Health Project. The Kellogg Foundation set up health programs in rural southwestern Michigan counties. Public health departments were opened in locations that other organizations, including the government, believed were too small in population. The Kellogg Foundation proved that the common good was served by providing health services in those communities.

When a large philanthropic organization gave attention to a local area, other organizations that might have considered offering similar goods and services at that location were discouraged because needs were already being met. The early nonprofit and philanthropic organizations could meet local needs. For example, during the 18th and 19th centuries, education was not a government concern. The most likely source of education was through faith-based schools. Beginning in the latter part of the 19th and early 20th centuries, government took on increased responsibility for education since it served the common good. Today, some regions of the United States, such as the Northeast, have both public and faith-based school systems. The faith-based system operates on donations and fees for service instead of taxes.

Resources

Nonprofit and philanthropic organizations need resources to provide services. Resources may come from donations or fees for services. Places that lack donors or have many low-income residents may not be able to support those organizations. Even though the need may be great, the organizations lack the resources needed to carry out their nonprofit and philanthropic missions. Some regions of the United States, therefore, have difficulty creating new nonprofit organizations. They are unable to obtain local resources or attract donations from other parts of the United States. Without these resources, it is impossible to begin helping people. In the South there is a high proportion of giving among the population. However, much of the giving is directed to faith-based programs. New nonprofit organizations receive less compared to the faith-based programs, which often have a local focus and involve local people. The philanthropy, both giving and receiving, occurs only within their clearly defined group.

When nonprofit and philanthropic organizations are well established, but the need is greater than can be met, the government may provide resources directly to those organizations rather than providing the service itself.

Leadership

An important element of nonprofit and philanthropic success is entrepreneurship—the leadership skills necessary to attract resources and allow production. If there are few persons with the talent or willingness to build organizations, then organizations will not be created. Without organizations, production of goods and services by the nonprofit and philanthropic sector will not occur, or will occur at a slower rate. Also, in some parts of the country with a strong governmental sector, public-spirited persons may work for government rather than for nonprofit and philanthropic organizations. In Santa Barbara they rely on people whose families have lived there for generations as well as the new rich and famous residents. Most communities do not rely on celebrities. They rely on local leaders to improve philanthropic "habits of mind" among the residents. Such leadership may come from a school principal, a teacher, a well-known business person, a community son or daughter, or a committee of dedicated, hard-working local people. Their common efforts usually result in amazing successes as they build civic participation and the common good.

Conclusion

The landscape of nonprofit and philanthropic activities is not the same across the United States. It is different in different places. Santa Barbara, California, is quite different from Kalamazoo, Michigan. However, both places have strong community foundations. Different people have been involved during different periods of time, but both places share a common vision for a civil society involved in giving to help others.

What about the nonprofit organizations in your community? The locations and spatial distribution of nonprofit organizations and the goods and services they provide are a good indicator of the "geography of giving" in a community. Giving involves not only money or other resources, but also volunteering time to assist someone in need. The spatial distribution of nonprofit and philanthropic organizations in a community is usually explained by the combination of three factors:

1. What organizations were first to provide those services at a location?
2. What resources are available at the location?
3. What leadership was available to get the organizations working successfully?

Those are the important parts of the "philanthropic landscape" in a community. Each informs us about people giving money, services, and time to help others.

Acknowledgments

The Nonprofit Michigan Project at Michigan State University and the Dorothy A. Johnson Center for Philanthropy at Grand Valley State University generously provided data for this chapter. Jeremy Pyne of the Johnson Center and Fitria Wahid, Western Michigan University, prepared the maps.

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4. Geography and International Philanthropy

Joseph P. Stoltman

Introduction

A recent high school graduating class decided to leave a lasting legacy to their school. No, it was not brightly painted goal posts on the football field. It was not a flower garden that future students could care for and cultivate. The class raised a significant amount of money and donated it to build and equip an elementary school in a developing country. Is it a lasting legacy? Yes, it is, and from two points of view. First, many students in the developing country will attend the new school. Some who attend may become teachers, public health workers, or business people. The education they receive will enable them to become productive members of a civil society.

Second, the legacy does not stop with the students who raised the money. They have challenged the next graduating class from the high school to match or exceed the contribution they made. Each new senior class will elect a committee to decide on their project, which can be in any country in the world. The plan is for each future class to make the same challenge to the students who follow. Thus, this year's high school class has left a legacy of giving to everyone who will graduate from their high school in the future.

What BIG idea is the senior class passing along to students in the future? It is "international philanthropy." The legacy has two benefits. One benefit is to the recipients of a new school in a developing country. The other is to the students who are giving. The intended outcome is to promote a civil society among people in both places.

International philanthropy occurs in many different ways. It occurs at different times, in different places, and in different political situations. In some places, local families and villages provide philanthropy for their own people. In other places philanthropy comes from outside the country, as with the example of the high school students presented above. This chapter will enable you to find out what "international philanthropy" does and how it happens in different places.

Geographers and Philanthropy

In their professional work, geographers are interested in the study of international philanthropy for two reasons. First, cultural geography (also called human geography) focuses on the distinct traditions that people have developed in particular places and regions. The traditions include social systems, such as the family, and economic systems, such as food production. Cultural traditions also include people's commitment to such ideas as the common good and helping one another, which are both important in philanthropy. Thus, study of philanthropy is a comfortable subject in cultural geography.

Where are things located? Why are they there? These are two questions that geographers ask. They use maps to show where things are located. They research the way things, such as money, services, and ideas, move from one location to another. International philanthropy is the movement of money, services, and ideas from one place or country to another. The purpose is to provide assistance so people can improve their condition of life. The assistance may include health services, food, basic education, or skills for jobs.

Where are volunteer resources available? Where are resources needed? How do we get resources from the location where they are available to where they are needed? The high school graduating class described earlier moved resources from where they were available to where they were needed. In geography, that process is called *spatial analysis,* or studying

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where things are on the Earth's surface, why they are there, and the ways they move from one location to another. Geographers' interest in *spatial analysis* is the second reason that they find philanthropy an interesting topic of study.

In this chapter, we examine international philanthropy as geographers do, using cultural geography and spatial analysis questions.

Philanthropy and Culture

Soccer, often referred to as the world's most popular team sport, is played in many countries. People in South America, Asia, Africa, and Europe follow soccer clubs and teams, becoming devoted supporters of "their team." Aldo Panfichi is a supporter of the Alianza Lima soccer club in Lima, Peru. His account of attending a soccer match with some of his friends appears below.

Mr. Panfichi's experience led him to think about the actions of the young soccer fans he encountered that day. The crowd used up a huge amount of energy, but not in a positive manner. He found that soccer is often linked to violence in places where it is played. His own experience playing soccer was that the sport is generally nonviolent. Players are seldom injured seriously as a result of the game. Soccer follows basic rules of democracy, and the authority of the referees and the rules of fair play are widely respected. People of all economic, ethnic, social, and national groups either play or are spectators. Soccer is played in parks, stadiums, and other public places, even in the streets. In Latin America, soccer is so much a part of the culture that soccer clubs are an important part of their society. The clubs are geographically linked with specific cities, barrios, or ethnic or social groups (Panfichi, 2002). How, he wondered, could the vibrant cultural and social energies he observed that day be put to good use?

Aldo Panfichi faced a dilemma. What could be done to capture the motivation and energy of soccer fans in Lima and redirect them to positive purposes?

Mr. Panfichi recognized that the "solidarity between individuals of different social classes organized around a given club" was a valuable resource. He and his co-workers at a local university decided to take action. With the help of the AVINA Foundation, a Swiss philanthropic organization, they started a program to build youth leadership in the communities (barrios) that were geographically and culturally linked with soccer clubs and teams. It was called "Soccer and Barrios: Youth as Promoters of Local Development" (*Futbol y Barrios: Jovenes Gestores de Desarollo Local*). The leadership program has four main activities.

1. Learning a trade or technical occupation that will allow the youths to be better prepared to join the labor market.
2. A civic training workshop that seeks to make the youths conscious of their natural leadership skills, but also of their rights and obligations as citizens.
3. Communications training to help these youths develop a voice of their own that can be heard by society.
4. Local community development, in which the barristas, or neighborhood organizations, propose projects that benefit their neighborhoods. (Panfichi, 2002, p. 4)

This example from Lima, Peru, shows how a person who observes a need in the community can take action. Local human resources were combined with funds from a Swiss foundation. Will the youth leadership program stop all the problems associated with the energy of soccer fans? Probably not, but it has prompted a large number of rowdy fans to consider their rights and responsibilities as citizens of their barrio, the city of Lima, and Peru. From a geographic perspective, the program developers relied on soccer as the common cultural tradition. The neighborhood, city, and country will all be positively affected by the successes of Futbol y Barrios.

Philanthropy and International Borders

Globalization means looking at economic and human topics from a worldwide viewpoint rather than that of a single

In His Own Words: Aldo Panfichi

It's Sunday at 2 p.m. in Lima, Peru. My friends and I meet to go to the stadium, as we always do on weekends. Nobody has watches or wallets, only the white and blue striped t-shirts we have worn since we were kids. We decide to take one car to avoid being trapped by the heavy traffic, the *barras bravas* (violent fans), and the human sea that converges from different districts of the city on to the stadium. Taking a short cut, we suddenly face exactly what we feared: a crowd of ragged looking youths, jumping and singing fanatically, war paint on their faces and flags waving in the wind. They surround us in a threatening manner and rock the car as though trying to overturn it. We lower the windows and despairingly show them the team colors on our chests and begin to sing together, loud, ever louder, until little by little they move aside, forming a corridor of bodies and songs that we urgently pass through. The mounted police arrived late but nevertheless violently crush the young crowd. We arrive on time to the stadium, but in the streets the game had already begun. (Panfichi, 2002, p. 1) country. At one time economic and humanitarian ideas traveled at the speed of sailing ships and camel caravans. That is no longer the case. A newly released popular music recording from the Philippines is heard across the globe instantly via satellite radio, television, cell phone, and Internet. The moment it is created, the newest hairstyle can be viewed on the World Wide Web, satellite television, or digital photography in other parts of the world. Early morning or late night editions of big city newspapers no longer require a walk to the newsstand or a wait for paper delivery. They can be viewed in electronic form the moment they are printed.

As globalization has continued to change the cultures and geography of places, another change has been occurring in many countries of the world: the rise of democratic government. Like globalization, democracy has been here for a very long time. It was practiced in early Greece and Rome, but probably occurred in other ancient locations as well. In the 20th century, and especially in the 1990s, progress toward a civil society and full participation by citizens in democratic government were characteristics of that time.

Democracy requires hard work and positive results. Newly emerging democracies give people a far greater voice in how and where they live, where they work, and how their government is run. Citizen participation is necessary for a democratic form of government to survive and thrive. In a democracy, people must make choices, and they must interact with each other in order to make informed choices.

How have globalization and democracy affected international philanthropy? Newly formed democratic governments often recognize that the task ahead of them is huge. The government may need to provide such public services as schools, hospitals, and public utilities (e.g., water and electricity). They sometimes cannot do all of this work on their own (Hodgkinson, 2001). When that happens, governments turn to international philanthropic organizations for assistance.

This assistance often requires citizen involvement to meet needs. The process builds mutual trust and a positive working relationship between the citizens and those donating time and resources. Trust and working relationships are part of the *social capital* that philanthropy tries to develop. *Social capital,* as defined by Robert Putnam, refers to features of social life-norms and trust that enable people to act together more effectively to pursue shared objectives.

The Geography of International Philanthropic Organizations

Many international organizations operate philanthropic and nonprofit activities. Figure D.13 is a partial listing of philanthropic, nonprofit, and nongovernmental organizations that span the globe with their activities. The figure includes organizations that provide various kinds of services.

Many of the organizations listed in Figure D.13 have outreach programs that cross international borders. They usually accomplish *three missions.*

1. They provide aid and lend support to groups of people and countries that are in need.
2. They work with the local people and their government to begin projects that enable those people and governments to help themselves.
3. They empower the population to bring about positive changes in the future that will help them in the long run.

Let's take a closer look at several international philanthropic organizations.

Case Study 1: The Federation of Red Cross and Red Crescent Societies

Among the best-known organizations is the International Federation of Red Cross and Red Crescent Societies. Founded in 1919, the Federation is the world's largest humanitarian organization and provides international assistance without regard to nationality, race, religious beliefs, class, or political opinions. In 2009, the Federation had 186 member Red Cross and Red Crescent societies. There were 60 field offices and delegations to support activities around the world.

The Red Crescent is the symbol of the Federation in Islamic countries; the Red Cross is used in other member countries. While not yet a Federation member, Israel has asked to use the Star of David to designate its humanitarian missions once it becomes a member.

While "giving blood" may be the only contact most people have with the Red Cross and Red Crescent Societies, the Federation's philanthropic activity is truly international. Each of the member societies also has a national or regional relief program. In the United States, it is the American Red Cross; states, counties, and cities may each have a Red Cross chapter.

From its main office in Geneva, Switzerland, the Federation has responded to appeals from the regions of the world shown in Figure D.14. Those appeals have been for different types of relief (Figure D.15). The figures list the "where?" and the "why?" of international calls for help.

The Federation has responded to approximately 22 appeals per year since it was founded in 1919. The appeals have come from every region of the world in response to humanitarian needs ranging from disaster relief to food and nutrition. The appeals resulted in money, hospital supplies, clothing, medical equipment, vaccinations, and seeds for crops, to name a few. Volunteers willing to donate their time were available. The immediate results have been the rebuilding of communities and people's lives. The long-term goal is to build a civil society in which members of the global community respect and care for one another.

Case Study 2: Oxfam Philanthropy and Civic Principles

Oxfam, an organization started in Oxford, England, during the 20th century, is recognized internationally for its

Organization	*Location*
ACCORD: African Center for the Constructive Resolution of Disputes	Mount Edgecombe, South Africa
Lawyers' Environmental Action Team	Tanzania, Africa
International Institute for Sustainable Development	Manitoba, Canada
Philanthropy Australia	Melbourne, Victoria, Australia
The Regional Environmental Center for Central and Eastern Europe	Szentendre, Hungary
The Indian National Trust for the Welfare of Tribals	Delhi, India
Economic Research Forum	Cairo, Egypt
The Abraham Fund for Education for Co-Existence	Jerusalem, Israel
Federation of Red Cross and Red Crescent Societies	Geneva, Switzerland
Ashoka	Arlington, VA, United States

Figure D.13 International Philanthropic Organizations

Region	*(CHF millions)*
Africa	361.0
North and South Americas	148.6
Asia and Pacific	890.1
Europe	37.3
Global	152.5
Total	1,589.5

Figure D.14 Donor Response to Programs/Appeals 2006 to 2010

SOURCE: Adapted from *Red Cross and Red Crescent Societies,* Geneva: International Federation of Red Cross and Red Crescent Societies, 2010. Retrieved February 19, 2010, www.ifrc.org.

Category of Aid	*(CHF millions)*
Disaster Management	1,003.1
Health & Social Services	360.6
National Society Development	94.0
Principles & Values	23.7
Coordination	108.1
Total	1,589.5

Figure D.15 Donor Response by Sector, 2006 to 2010

SOURCE: Adapted from *Red Cross and Red Crescent Societies,* Geneva: International Federation of Red Cross and Red Crescent Societies, 2010. Retrieved February 18, 2010, www.ifrc.org.

work in famine relief. When the two words, Oxford and famine, are placed side by side, a shortened, combined version of both becomes Oxfam. People in many countries of the world recognize Oxfam for its philanthropic and nonprofit activities. Oxfam International is made up of affiliated organizations that support the overall mission. Figure D.16 shows where Oxfam works around the world.

The mission of Oxfam is to help people become empowered through greater knowledge and information about economic and social justice. In order to achieve its mission, Oxfam performs many other activities. It provides financial and material support to communities, individuals, schools, hospitals, and in-country volunteer groups, as well as its own volunteers. It also promotes ideas, values, and sustainable methods of producing food and other goods to improve the lives of people.

Oxfam has based its philanthropic program on the ideas of global citizenship and economic justice. It focuses on human rights, women's rights, international debt relief for poor countries, banning of landmines, and holding those who commit genocide legally responsible. It is the philanthropy of ideals and human values that Oxfam has supported most directly. Nearly every philanthropic organization has those values in its mission. For Oxfam, it is a major part of the mission.

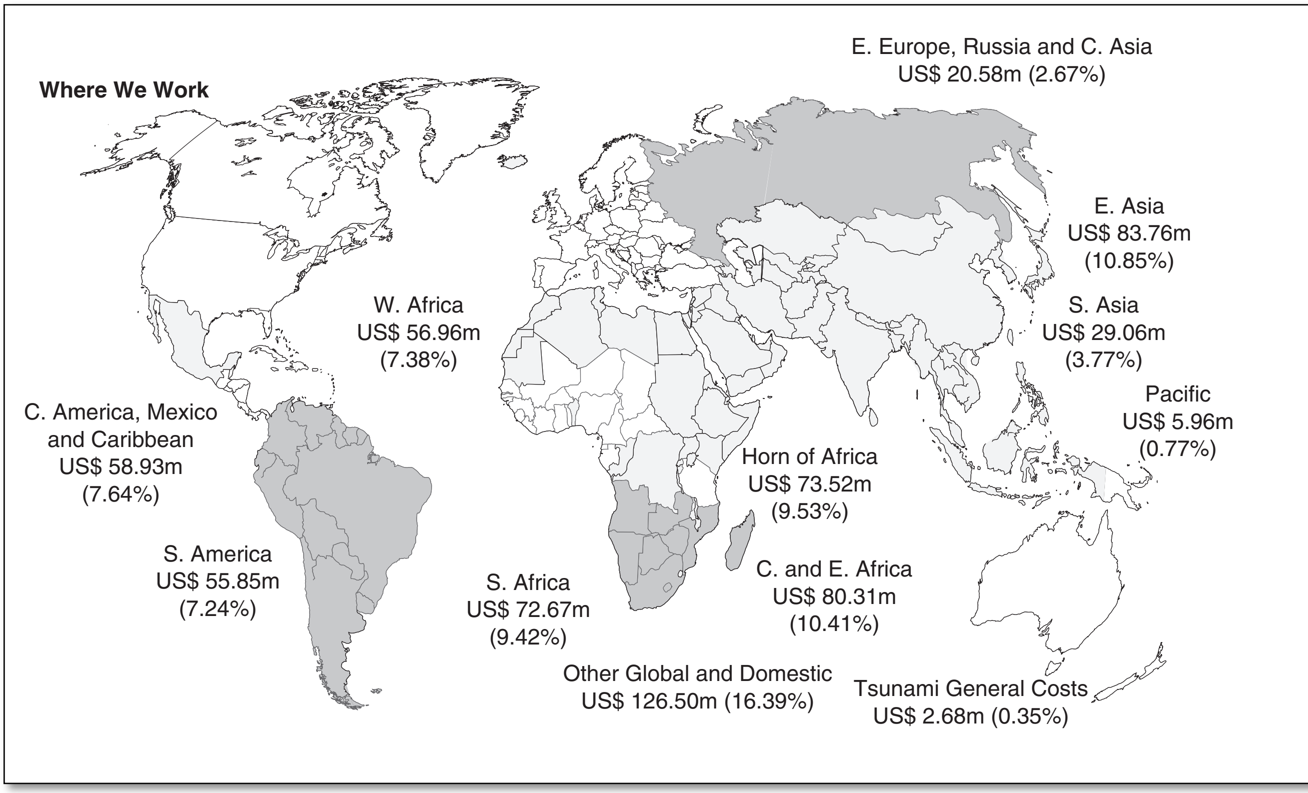

Figure D.16 The Global Geographic Distribution and Percent Expenditures of Oxfam's Activities

SOURCE: From p. 17 of *Oxfam International Annual Report 2008 2009,* Oxford, UK: Oxfam, 2009.

Oxfam's view of global citizenship has a very practical meaning. People should know how their daily activities and choices affect other people, whether geographically far or near.

Oxfam believes that global citizens have the responsibility to examine:

1. How we learn about other peoples and their cultures.
2. The daily choices we make as shoppers, vacationers, and investors.
3. How we welcome strangers and refugees and question stereotypes.
4. How we react to humanitarian crises in countries far away from our own.
5. The attitudes we communicate to our children, colleagues, neighbors, and friends.
6. The political choices we make as citizens. (Oxfam, 2009)

Does a civil society result when people are able to discuss issues and exchange ideas? In a civil society, do people need the freedom to openly support the plan or person they think will help solve the issues or problems they face? If you believe these actions are important to a civil society, then you must also recognize that other people will feel quite different about the same issues. These differing views will cause tension within society. Some citizens support one idea, while others are opposed to it. That tension is part of the culture that geographers look for in a place. It is the political and social culture that allows people to disagree with one another, but still be civil toward each other. It is that level of civility that volunteers and supporters of organizations like Oxfam believe is important to global citizenship and democratic government.

Expenditures by Oxfam reflect the underlying values of the organization (Figure D.17). The two categories with the largest funding are life and security, and livelihoods. Life and security refers to food, medical treatment, and sanitation. Livelihood activities help people earn a living and include job training. Basic social services, which are third, include hospitals, schools, and public health. Everyone agrees those are very important to a civil society.

The two remaining categories, the right to be heard and gender and diversity, are also important, but are very different. They focus on ideals rather than services or material goods. They are values supported by democratic societies. Countries should be helped to build a society based on civility, trust, and giving. The acceptance of both material assistance and values of a civil society are cultural considerations. The way those values are viewed will vary from place to place as the cultural geography varies.

Category of Support	*Percentage of Funding*
Livelihoods	25.88%
Basic Social Services	13.56%
Life and Security	31.94%
Right to Be Heard	14.48%
Gender and Diversity	14.13%

Figure D.17 Percentage of Oxfam Funding Going by Category of Support

SOURCE: From p. 17 of *Oxfam International Annual Report 2008 2009,* Oxford, UK: Oxfam, 2009.

Geographic Analysis of International Philanthropic Organizations

The importance of culture in philanthropy is clearly seen in the questions asked during a geographic analysis: What are the cultural practices of the people in a place? How will they react to the services, material goods, and volunteers from our organization? Will they accept the ideas of civility, women's rights, and ethnic diversity that our organization supports? The answers to those geographic questions are important to the long-term success of international philanthropy. The answers depend on information about locations, people, and environments on Earth.

The map and tables showing the activities of the International Federation of the Red Cross and Red Crescent Societies and Oxfam are also important in geographic analysis of international philanthropy. Those data provide information about the locations where assistance has been provided, such as the country or world region; the kind of philanthropic assistance that has been provided, such as education, health, water supplies, etc.; and how much has been provided, such as the percentage of total assistance that has gone to a country or region.

A geographic analysis of Figure D.14 informs us that the Asia/Pacific region has had the greatest number of responses to programs and appeals for assistance since 2006. We would next ask the questions: What type of assistance was provided and what percentage of the total appeals for assistance has gone to the Asian/Pacific region? With that information, a comparison may be made with other regions, such as Africa, which is second in total number of appeals, or Europe, which is third. Important geographic questions must be asked in order to determine the problems and the changes in the number of problems over time in a region. If, for example, the problem of food security is worsening, then increased food production may require more funding. A geographic analysis of the data tells philanthropic organizations about changes so they may develop effective policies and plans.

A geographic analysis of the information in the two case studies supports these conclusions. First, knowledge of cultural geography informs us that the Red Cross and Red Crescent Societies will have programs in Africa south of the Sahara. There are Islamic, Christian, and traditional societies in the region. While both Red Cross and Red Crescent would respond to needs, there is an important cultural tie to the symbolism of the Cross and Crescent, based on religion.

Oxfam International is also active in the region, providing approximately one-third of its available resources for Africa. Why is Africa in such great need?

In recent decades, Africa has been a region of warfare and conflict. It is also a region where the population suffers from malaria, AIDS, and polio. Serious droughts have caused crops to fail. The result has been large migrations of rural people to look for work in urban centers.

The presence of philanthropic organizations provides several ways to bring about change. One alternative is to enable people in the region to solve the conflicts, perhaps drawing on philanthropic help that is made available. Another is to wait for military conflict to end. Then social, economic, and political order may be reestablished and the door will be opened for help from international organizations. Philanthropic organizations will be ready to assist in rebuilding people's lives and their property. The problems that caused regions of Africa to have conflicts, human suffering, and economic problems must also be addressed. Giving food, medicine, and sending medical teams provides relief. It often does not, however, solve the larger problems countries in the region face. Those include governmental corruption, dictatorial governments, and lack of economic opportunity for the people. Philanthropy must address the urgent concerns, but it also must promote a civil society based on democratic ideals and human rights.

Purchasing Crafts From Other Countries: Is It International Philanthropy?

Can people be philanthropic when they buy material goods that they enjoy? Let's consider a group of people living in a country or region of a country who produce some interesting crafts. However, they have no way to market the products; even if they were able to do so, they have little information about the international consumers who would purchase them. They have the option to sell their crafts to a local trader, who would then resell them to a larger export company. Eventually the products would reach boutiques and shops in London, Chicago, Paris, Tokyo, and other large cities. If they were popular with consumers, then they would be purchased quickly at quite a high price. However, the people who handcrafted the products received a very low price. They have no way of knowing that the products sold for a high price in the international market. When this happens, the artists or crafts persons are left with little profit. Most of the profit goes to persons and companies who exported, imported, and retailed the crafts.

Does it always have to work this way? No, it does not, but a change requires both organizations willing to help and awareness from consumers who eventually purchase such handcrafted items. The consumers may display a *philan thropic habit of mind* by buying from a store or organization that returns a fair market price to the person who produced the item.

One organization that addresses this problem is *Ten Thousand Villages*. In 1946, the Mennonites, a faith-based group, began working with people in several countries to give them a "fair price" place to sell their products. Fair price means that the person who produced the craft is paid an amount that fairly rewards the time, materials, and skills invested. The project has grown to include nearly 100 *Ten Thousand Villages* stores in the United States and Canada. Crafts and cultural products are imported mainly from countries in four regions—Africa, Latin America/Caribbean, Southeast Asia, and South Asia (Figure D.18).

Artisans who are unemployed or find it difficult to market their crafts in their country make most of the products. They live in locations that are difficult to reach, they have little capital to pay for exporting their products, or they do not have the marketing skill necessary to obtain the best price. The local artist who sells products to *Ten Thousand Villages* gets a "fair market" price and receives the money promptly to help pay for food, education, health care, and housing. To keep the cost of operating the *Ten Thousand Villages* stores low, the nonprofit organization relies on thousands of people in Canada and the United States volunteering at stores in their home communities.

Ten Thousand Villages, a nonprofit organization, has several values, principles, and goals that guide their activities. Among them are the following:

1. Handicrafts reflect and reinforce rich cultural traditions; they are environmentally sensitive.
2. Honor the value of seeking to bring justice and hope to the poor.
3. Make payments promptly and consistently for handicrafts and artistic work at a fair trade price.
4. Use resources carefully and value the volunteers who work in the North American operations. (Ten Thousand Villages, 2009)

Most people agree with the values, principles, and goals of the organization. But not all people agree that shopping at Ten Thousand Villages is a form of philanthropy. They argue that consumers are receiving material goods through their purchases and, thus, this is not philanthropy at all.

Does this value issue (donation versus purchase) create a tension regarding the way that international philanthropy is viewed? Can philanthropy be both direct and indirect? Direct philanthropy is a donation of time or other resources. Indirect philanthropy occurs when there is a positive benefit, but not as a donation of time and resources. Are organizations being philanthropic when they provide "fair market" outlets for crafts from poor regions of the world? Is the consumer who pays a slightly higher "fair market" price at such a store compared to the cost of a similar product at another store being a philanthropist?

The issue goes beyond crafts. For example, the more developed countries are a very large market for coffee. Much of the coffee is grown in less developed countries. On some farms the tropical forest is removed so coffee trees can be planted. On other farms the coffee is grown in the shade of large tropical forest trees. Shade-grown coffee does not require all the tropical forest to be cleared and helps save the environment. Is drinking only shade-grown coffee a means to show environmental philanthropy?

These are some of the questions we should think about as socially and economically conscious consumers. Where would you buy crafts? What kind of coffee would you buy? How would you justify your decision regarding those decisions?

Some Geographic Reasons in Support of International Philanthropy

International philanthropy is successful. Important knowledge and ideas spread from one geographic region to another. During the 20th and 21st centuries, global improvements in the quality of life were caused by philanthropy. They included the end of smallpox, fewer cases of polio, increased food production due to the Green Revolution, the introduction of democratic ideals to many countries, environmental stewardship and protection, and better nutrition for children.

Is international philanthropy always successful? Success is measured in different ways, but warning signs indicate when problems exist. For example, if a group of people becomes dependent on international philanthropy, then overall success has not occurred. International philanthropy is usually concerned with "teaching people to provide for themselves so they someday will not require assistance." Corrupt governments and international philanthropy often work in the same places. Supplies, medicine, food, and equipment are sometimes stolen and resold before they get to the people who need them. When that happens, the success of international philanthropy is greatly reduced.

Philanthropy pursues investment to improve the capacity of people to achieve long-term benefits. There are great differences geographically between poor and rich regions of the world. Philanthropy makes social and cultural investments in people and organizations in poor regions to improve the quality of life. Their successes often benefit other people in the region and the world. The rise of civil societies that share democratic ideas has long-term benefits to the international community.

Philanthropy is a powerful global force socially, economically, and politically. Cooperation is most successful when international borders are ignored. The combined efforts of international philanthropic organizations to collaborate on

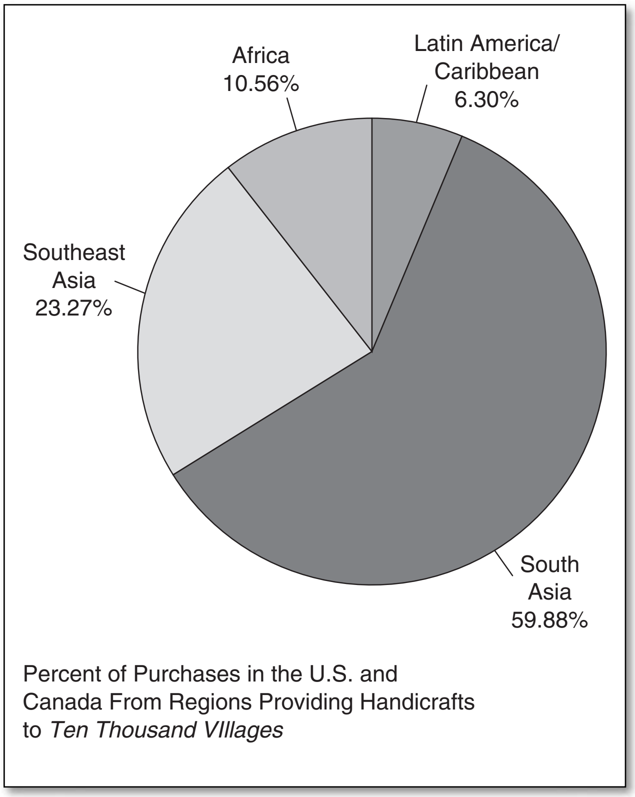

Figure D.18 2009 Purchases by Region

SOURCE: Adapted from *Ten Thousand Villages U.S. Annual Report,* New Hamburg, ON: Ten Thousand Villages, 2009. Retrieved February 18, 2010, www.villages.ca.

issues such as human rights, hunger, poverty, the environment, and population are enormous. As a group, philanthropic organizations have great influence in countries and regions of the world. They not only provide time, services, and money, but they plant ideas that support the growth of civil societies.

International philanthropy increases contacts between individuals and groups. The cultural differences between the group that is giving and the group that is receiving sometimes creates tensions. Does the donor group expect the receiving group to change some part of their cultural tradition? Being informed about public health or vaccinations is change at one level. Converting to a different faith belief is quite a different expectation. International philanthropy can exert great pressure for changes that the receiving group may not want to accept. How do you think tensions could be avoided?

International philanthropy promotes democratic ideals. The geographic spread of ideas about democracy is important. Newly emerging democratic governments are fragile. Tensions both within countries and with neighboring countries test the will of democracies. International philanthropy provides resources and volunteers to help strengthen civic ideals and participation.

International philanthropy enables people from diverse backgrounds and regions of the world to participate in global development. The world's cultural geography is diverse. Philanthropic organizations have shown that there is more than one way to enable people to improve their quality of life. Culture has a strong influence on how natural landscapes and resources are seen. One culture views a forest as a source of seeds and fruit; another perceives it as lumber for buildings. Philanthropic organizations use their skills in resolving those different views of the same environment. The results are often a healthy environment and a sustainable quality of life for both groups of people despite their conflicting views.

International philanthropy benefits everyone, both donors and recipients. Because of the geography of Earth most people live on a relatively small percentage of the land surface. Thus, people are more and more in contact with others. Many people consider giving of time, services, and money as the most rewarding activities they carry out during their lives. Local faith-based organization members may volunteer to help build homes in a community in Belize. A newly graduated student may volunteer for the Peace Corps and spend time in Africa teaching children to read, teaching young mothers about childhood nutrition, or digging wells to provide a safe water supply. Whatever the activity, in doing the work, each person builds a bond with others that is based on respect, giving, and civility. Perhaps without realizing it, that person is also growing in global citizenship.

Geography of Philanthropy: The Spread of Giving and Civic Ideals

At the beginning of this chapter we explained that a geographic point of view includes two parts: cultural geography and spatial analysis (where things are located and why they are there). The geographer uses maps and information to study the culture of human groups and to show distributions, or where things are located. We stated that a geographic perspective is important to knowing about and participating in international philanthropy.

You began by reading about Aldo Panfichi, an avid soccer fan in Peru. The culture of soccer presented a conflict for society. On the one hand, it was a terrific social and sporting event that demonstrated many strong elements of civic participation. On the other hand, the poor social behavior caused by fans of opposing teams presented difficult problems. Capturing the fans' energy and converting it into meaningful civic action was the issue that Mr. Panfichi faced.

You then examined two international philanthropic organizations, The International Federation of Red Cross and Red Crescent Societies and Oxfam. Both organizations are international, providing aid to similar regions of the world. The Federation responds to needs and serves largely to provide disaster relief, but also works on social and economic needs. Oxfam works in many of the same areas, providing social and economic assistance. However, Oxfam takes a proactive role in promoting social justice, equity, women's rights, and the rights of ethnic groups. The Federation and Oxfam are both engaged in philanthropy in the same regions of the world, but meet different needs and have different goals. Both organizations demonstrate that philanthropy includes giving material goods and financial assistance. They also believe civic ideals and democratic values are important to the quality of life.

The third example you studied, Ten Thousand Villages, presented a value question for those in the developed countries. As consumers, they can purchase from an entire range of goods, from crafts to mass-produced items. People working for low wages make some products in sweatshops; the consumer can buy them for low purchase prices. Other products are produced in places where a fair wage is paid, and a fair price is asked of the consumer. What are the civic issues a consumer faces as a member of the global society when confronted with such choices?

The patterns of giving and the flow of funds and assistance from donor to recipient can be geographically analyzed. Geography enables you to inform yourself about other peoples and their cultures so that you can make informed decisions about the world beyond your community. More importantly, it allows you to consider what you can do individually to promote civility in society, both at home and in other parts of the world.

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5. The History of Philanthropy in the United States: 1620 to 2010

Joel J. Orosz

Leisure is time for doing something useful.

Benjamin Franklin

The story of philanthropy in the United States includes both continuity and change. There was philanthropy in what is now the United States before European settlers arrived. Other giving traditions came with those settlers. Thus, the existence of philanthropy provides continuity to the story.

Philanthropy has changed over time, however. Social changes have created new needs to be addressed. For example, huge numbers of immigrants came to the United States in the late 1800s. At the same time, more and more people were living in cities. Both of these factors created new needs that philanthropic groups tried to meet. Philanthropy also changed during the Great Depression, a time when needs were high. The New Deal, a government effort to deal with these enormous needs, changed the way people think about the role of government in solving social problems. Thus, it changed how philanthropy and government worked together.

This chapter examines philanthropy throughout U.S. history. As you read, look for examples of continuity and change in the history of philanthropy. Try to identify periods in history when American philanthropy changed in important ways.

The Colonial Period: Social Advancement in a New Land

As sailing ships approached the shores of North America in the 1600s, the passengers were about to find two things: hard work and opportunity. Often the immigrants arriving had no housing, no ready or reliable source of food, and no sponsorship. How were they to survive?

From the very early periods, the people in the colonies relied upon philanthropy. On November 11, 1620, the adult passengers of the *Mayflower* agreed to certain principles of civic responsibility and signed the following Social Compact:

> . . . covenant and combine ourselves together into a civil Body Politick, for our better Ordering and Preservation, and Furtherance of the Ends aforesaid; And by Virtue hereof to enact, constitute, and frame, such just and equal Laws, Ordinances, Acts, Constitutions and Offices, from time to time, as shall be thought most meet and convenient for the General good of the Colony; unto which we promise all due submission and obedience. *The Mayflower Compact*, 1620.

Underlying the social compact was the belief that those who gave time and services to help others might benefit

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themselves another day. There was no telling when someone might need help. Life in the colonies was often difficult, and philanthropy was both welcome and necessary. People worked together in quilting bees and house and barn raisings; they pitched in to help neighbors with harvests and heavy jobs.

As Europeans settled North America, they encountered many groups of Native Americans who had an established tradition of philanthropy (Berry, 1999). The Puritans met Squanto, whose Native American name was Tisquantuminn. Squanto served as a friend and interpreter for the Puritans as they made contact with Native American groups. He arranged for other Native Americans to help the Puritans learn skills and find resources necessary to live in New England.

Squanto's gifts to the Puritans were important. He helped the Puritans plant corn, showed them the best fishing grounds, and helped them trade with other American natives. If not for his help, it is believed that many more Puritans would have died from the harsh life in the colonies. It is also believed that Squanto used his connections with the Puritans to his own benefit. He is accused of taking bribes and requiring a payment for trade agreements he arranged. His final service to the Puritans was as the guide and interpreter on William Bradford's expedition around Cape Cod. He contracted smallpox and died in 1622.

The help and giving demonstrated by Squanto was practiced among other Native American groups as well. The celebration of giving in the Pacific Northwest, called the potlatch, was a form of philanthropy. Social status and sharing one's wealth were important ideas among many Native American groups. Gift giving was common, and the person receiving the gift was often expected to pass it along to another person. Giving helped create harmony within the Native American group. However, traditional giving among Native Americans was quite different from what the European settlers practiced. It is described as sharing the wealth provided by nature, compared to the European idea of redistributing wealth from rich to poor to improve living conditions.

Philanthropy in all its early forms had a common mission: *social advancement*, that is, the improvement of quality of life including social, economic, psychological, spiritual, and physical well-being for people. Early philanthropy aimed to advance or improve the quality of life (Bremner, 1988). That goal was not just an idea in the minds of colonists: it was an everyday reality. Two indicators reflected the philanthropic spirit in the early colonies. First was the establishment of faith-based institutions. These institutions provide a means of religious expression, an important core value for the English colonies. They provided a way to gather resources and give them to people most in need in the congregation or community.

The establishment of schools was a second important indicator of philanthropy. Schools made it possible for young people to read and write. For philanthropy to grow and succeed, the public must be informed of how philanthropy improves the quality of life. Literacy is thus important to the growth of philanthropy. Both are needed to develop a civil society.

Such early colonial leaders as John Winthrop in New England and William Penn in Pennsylvania believed that giving was essential. They combined faith-based beliefs and personal beliefs to form a philanthropic tradition. Another colonial leader was Cotton Mather. He became a major supporter of philanthropy. He arranged for parcels of land to be given to immigrants, helped build faith-based institutions in new communities, and organized people to give their time for important causes. He called the attention of the rich in Massachusetts Colony to the poor, encouraging the rich to share their wealth. He said, "Let us try to do good with as much application of mind as wicked men employ in doing evil" (Bremner, 1988, p. 14). Mather's role in the Salem Witch Trials often gets the greatest attention in history books. Yet Mather's ideas about service continue to form the basis for philanthropy in the United States to the present.

Case Study: Good Ben and Philanthropy

Among the leaders who encouraged the idea of philanthropy in colonial America was Benjamin Franklin. In Philadelphia, he assisted in starting a volunteer fire department and developed the means to have garbage collected and to have streets cleaned and lighted. Improvements to the quality of life in cities were his passion. That included hospitals, schools, and a university.

Many of Franklin's ideas had been included in his book, *Poor Richard's Almanack*. One of his most interesting acts of philanthropy was to leave a special bequest in his will. A gift of 1,000 pounds sterling (British currency) was made to the citizens of both of the cities of Boston and Philadelphia. The money was to be loaned out to young workers starting their careers. After 100 years from Franklin's death in 1790, the two cities could use three-quarters of the money to build museums and undertake other civic projects. Then, the remaining one-quarter was used for loans for another 100 years. Finally, in 1990, Franklin's will directed that the money be distributed for charitable purposes. The Boston money was spent on a number of projects, but Philadelphia decided to use their dollars to start a scholarship fund for students studying trades and crafts (Grimm, 2002). This act of colonial philanthropy is but one example of the tradition that continues today in the United States. Social advancement remains an important reason for this tradition.

A New Country and Expanded Philanthropy

The Declaration of Independence and the Constitution of the United States are the nation's founding documents. Both have become living documents forming the basis for civic behavior. For example, statements in the Constitution are reinterpreted and reflected upon by the Supreme Court. Thus, the documents, especially the Constitution, come to life as the law of the land. Evidence of philanthropy in either document is scanty and open to interpretation. For example, the Declaration refers to the "public good" in its first grievances against the King of England. The Preamble to the Constitution includes the phrase "promote the general welfare." Both statements are open to interpretation but seem to suggest that the writers and signers of both documents supported the idea of one's responsibility to the community.

Even if philanthropy was not on the minds of the nation's early leaders, they made it possible in Amendments I and X of the Constitution. Amendment I protects the freedom of religion; the freedom to uphold personal faith-based beliefs. The organizations that have sprung as a result of these beliefs have, and continue to play, a major role in philanthropy. The Amendment also protects the right to assemble, which is important to the existence of nonprofit groups. Amendment X reserves certain rights of government to the states. Most philanthropic organizations in the United States are chartered and operate within a state, either at the community, county, or statewide level. The founding documents made philanthropy possible within the governmental structure of the newly established United States.

Philanthropy: Emerging Patterns in the Independent United States

The early 19th century saw many changes in the United States. The population began to increase rapidly. This growth was mainly the result of the arrival of thousands of new immigrants. Many of these immigrants settled in Eastern cities: Savannah, Charleston, Baltimore, New York, and Boston. Other immigrants moved to rural farmlands, since land held a promise of security many did not experience in Europe. Forced immigration of enslaved Africans and an agricultural system based on slave labor, while morally unacceptable to many, also contributed to population growth.

Faith-based organizations were important and financially strong. Their members, as well as businesses donated to these organizations. Remember, at the time the government provided little or no assistance to those in need. Social security, welfare, and governmental assistance did not exist. People relied on private help, such as that given by faith-based organizations. These organizations offered programs to assist people with food, housing, and medical care. Churches ran Sunday schools, elementary and high schools, and social clubs for making clothing, serving food, and job training. Religious organizations believed their philanthropy carried moral and spiritual messages.

People experiencing poverty also received assistance from women's organizations, a trend that began in the center for Quaker beliefs, Philadelphia. For example, the Female Society for the Relief of the Distressed offered food, clothing, bedding, medicine, and firewood. The New York Free School Society was funded by the city to run schools for the poor (Gross, 2003).

Philanthropy was widely performed within African American communities at the time. The philanthropy of both free and enslaved African Americans came from religious and social organizations as well as from each other. The tradition of giving was as old as African civilization. It was brought to the New World just as music, language, and traditional religious beliefs were. Despite the immoral and inhuman conditions of slavery, African Americans found ways to help each other.

David Walker, an African American abolitionist, founded the Massachusetts General Colored Association, which became a forceful voice for all abolitionists. Walker's Appeal was circulated to African Americans and whites in both the North and the South. It spoke out strongly against slavery and its injustices. Possession of Walker's book, by those held in slavery, led to some states enacting stronger laws against teaching slaves to read and the distribution of inflammatory written materials (Walker, 1820). The educational benefits that philanthropy provided became a threat within the slave-holding regions of the country.

Controversy arose around philanthropy's aims with another philanthropic organization in the early 1800s. The American Colonization Society was founded in 1817 and was supported by many of the moral reform groups of the time. The Society collected funds in both the North and South to buy land in Africa where returning and freed slaves could settle. A delegation of officials and 88 black emigrants traveled to the west coast of Africa in 1820. The officials concluded:

> The surpassing fertility of the African soil, the mildness of the climate during a great part of the year, the numerous commercial advantages, the stores of fish and herds of animals to be found here, invite her scattered children home. (*Afro American Almanac,* 2004)

A large parcel of land in West Africa was purchased and a colony was started. Between 1822 and 1860, nearly 11,000 freed slaves emigrated to Africa. The colony developed with philanthropy became the country of Liberia in 1847.

There was much disagreement about the colonization plan. Some people from the southern states saw it as a way to return those who were freed from slavery to Africa. Once out of the United States, they would not be able to influence people still held as slaves. Northern donors saw the plan as a means to return African people who were being held as slaves in the South to their homeland. One side saw an opportunity to strengthen slavery by removing the opposition of freed slaves, and the other saw an opportunity to free slaves in the South by permitting them to return to

Africa. Others concluded it was a plan to decrease the number of African Americans in the United States. As a result, some people who had supported the American Colonization Society withdrew their support.

Various philanthropic organizations helped African Americans prepare for citizenship through free education. Others helped freed black people and those fleeing from slavery to establish new lives in the North and in Canada. By the mid-1800s, these relatively modest beginnings led to the much larger abolitionist movement.

Colleges received large financial gifts during the Age of Benevolence in the early 1800s. Private colleges such as Oberlin, Amherst, Williams, Andover, and Harvard received large endowments and gifts. Those colleges and universities continue to benefit from these gifts nearly 200 years later.

Philanthropy for education extended beyond formal schooling. People of wealth became interested in the public understanding of science. Money was directed to museums and other public education activities during that time. One such gift to establish a national, landmark museum was quite unexpected.

James Smithson, a British chemist, died in 1829 and left approximately $500,000 to a relative. He stated that if the relative died childless, the entire estate should be given to the U.S. government. That occurred in 1835. The will required that an educational institution be built and equipped in Washington, D.C. Former President John Quincy Adams was in favor of the federal government becoming active in education and research, and Congress voted to accept the gift in 1836. After much political debate and financial difficulties in preserving the gift, the Smithsonian Institution was begun in 1846. It is called the Smithsonian Institution in honor of James Smithson. Without the philanthropy of this British chemist, the United States might not now have one of the world's most popular scientific and educational museums.

Case Study: Benevolence and Abolitionism

Slavery was one of the great social issues of the 18th and 19th centuries. The abolitionists wanted to end slavery. They used many different tools in their efforts to end slavery. Philanthropy was one of the tools. Money was needed, and faith-based organizations, individuals, and private businesses contributed funds to end slavery. Money was not enough, however, and the abolitionists gave time and effort, endangering their safety and their very lives.

Harriet Tubman escaped from slavery. However, she continued to travel to southern states and assist other enslaved people to reach safety in the North. A network of volunteers who risked arrest and jail to help fugitive slaves operated the Underground Railroad. The Railroad helped runaway slaves escape and make their way to Canada. Charles Torrey, a northern preacher, was arrested for helping African Americans escape and died in a southern jail. Lawyers donated time and money to defend escaped slaves who were caught. Ministers not only preached against slavery but encouraged members of their churches to contribute funds to abolish it. The abolitionists included many people from different walks of life. They were determined to end slavery, and devoted money, services, and time until the Civil War made it possible to end slavery in the United States.

Philanthropy During the Civil War

Women in the United States were involved in a wide range of philanthropic activities during the Age of Benevolence. Their contributions were often overlooked, however. The Civil War changed that situation. As the war began, the need for supplies, medical aid, and attention to disabled veterans increased rapidly. People in both the North and South responded to the need, but women especially rose to the challenge.

Dorothea Dix organized more than three thousand nurses to serve with the Union Army. Almost every town and city in the North began an aid society to help soldiers and their families. Women ran the aid societies. Volunteers during the war included Louisa May Alcott, a nurse who later became a widely read American author. Harriet Tubman was a nurse and served as a spy behind enemy lines. She was African American, knew the lay of the land as a result of her work on the Underground Railroad, and was skilled at avoiding capture. Clara Barton was not a nurse, but she excelled at organizing relief supplies and getting them to where they were needed. After the Civil War, Barton organized the American Red Cross. Women in the South also organized aid societies to help the families of soldiers. They provided medical care near the battlefields and took the wounded into their homes. Giving and caring during wartime influenced the way that relief would be administered in later conflicts, especially World War I. Those wartime lessons carried over to relief from earthquakes, volcanoes, hurricanes, and other natural disasters. Philanthropy was meeting more needs than ever before.

Philanthropy, the Rise of Industrial America, and the Progressive Response

The Civil War resulted in a major increase in industry in the United States. The Industrial Revolution was taking place.

Industry needed labor, and labor was located in cities. The result was a rapid growth in urban centers. The major cities, mainly in the North, became home to waves of immigrants. Many of those arriving in the United States were poor and faced wretched conditions in American cities.

Within those economic and social conditions, a new type of philanthropy began. It was called *scientific philanthropy.* The aim of scientific philanthropy was to improve the quality of life by addressing the root causes of poverty and developing preventive measures and self-help programs to eradicate it. It was scientific because it had well-established rules. It required visitation, inspection, and advice to those receiving relief services. Charities and aid associations applied the scientific rules. Orphanages, schools, mental hospitals, and shelters for the homeless were inspected. Children in homeless shelters were to be placed in foster homes and sent to public schools. The scientific check list of what to look for and how to respond became part of a larger progressive movement in society. The needs of each person were decided in a scientific manner. Philanthropy was given out in a more efficient manner using the scientific approach. If the rules were followed, then there would be positive results. Critics of scientific philanthropy, though, said that it was "all head and no heart"—that the scientific philanthropists were so efficient that they sometimes lost sympathy for human suffering.

The latter years of the 19th century also saw American tycoons emerge. Andrew Carnegie became rich beyond belief, in part from the toil of workers in iron ore mines, steel mills, and coal mines. He was ruthless in both business and labor management. In his later years, however, he became one of the country's best-known philanthropists. His wealth was used to start universities and build public libraries, concert halls, and museums. Carnegie believed that only a few people should accumulate wealth, which should then be redistributed to the needy. He believed that in "bestowing charity, the main consideration should be to help those who will help themselves" (Carnegie, 1889). That philosophy of giving was published in a small booklet, "Carnegie's Gospel of Wealth," which was widely discussed among people working in philanthropy.

Carnegie's was not the only philosophy regarding how philanthropy should be handled. Other people believed in ending poverty and suffering for every individual, not just "those who will help themselves." They were followers of the *Progressive Movement*.

The *Progressive Movement* lasted from 1900 to about 1920. Progressives believed that irresponsible actions by the rich were corrupting both public and private life. Presidents Theodore Roosevelt, William Howard Taft, and Woodrow Wilson were supporters of the Progressive Movement. Jane Addams, a noted Progressive, believed that making direct connections between the wealthy and the poor was an important step. She began a series of settlement houses in poor sections of cities. Hull House in Chicago became the best known. The settlement houses enabled educated young people to experience the poor living conditions and needs of their neighbors. The benefits would be twofold. First, the conditions of the urban poor would be recognized. Second, progressive methods for helping the urban poor would be identified and tried.

Increased Philanthropy in the New Century

The 20th century saw a rapid increase in philanthropic opportunities, especially for people who did not have great wealth but did have some money available. The tradition of volunteering and lending a helping hand in times of need continued. However, a new, more distant philanthropy also developed. Old and new organizations entered into what became known as retail philanthropy. *Retail philanthropy* was the new practice of asking donors for funds—any amount was accepted—through magazine and newspaper ads and through the U.S. mail. Donations were sent to locations distant from the local community and were often used in places even farther away. Many new organizations, as well as established groups, asked for donations on a national basis. Figure D.19 lists several of the new organizations, but there were hundreds more. Philanthropy in the Progressive Era was a growing industry.

World War I brought attention to the American Red Cross. Medical and hospital supplies were sent to Europe. While many organizations provided relief, President Woodrow Wilson officially recognized the American Red Cross. He worked to increase funds for the Red Cross and to widen its mission to assist the U.S. military. The Red Cross provided ambulance crews, nurses, and health officials. The military depended on the Red Cross to distribute supplies and get information and aid to families. The Red Cross also provided food, clothing, and medical aid to civilians in Europe, as they suffered greatly during the war.

The war and its aftermath increased the need for international philanthropy. In 1920–1921 schoolchildren, community chest organizations, and religious groups raised funds for European relief. Europe faced many difficulties, but the United States was about to enjoy nearly a decade of economic prosperity.

Philanthropy increased during the 1920s. Wealthy people continued to give money. The middle class gave money, service, and time to their favorite philanthropic activities while poorer people often contributed service and time. The choices were many. African Americans and whites contributed to educational funds for minority students. Community-chest organizations collected money and provided help to people within the community and for local projects. Giving became more organized. Mail requests became the favored way to ask for funds. Professional fundraisers worked with and for many organizations. It was a decade of philanthropy on a grand scale. Despite increased amounts given, the amount needed to help the needy was even greater. States began programs of public assistance using tax money. These programs helped educate blind and deaf children and provided public health, public hospitals, and family welfare.

Organization	*Year Established*
Goodwill Industries	1902
National Tuberculosis Association	1904
American Association for Labor Legislation	1905
Lighthouse	1905
National Child Labor Committee	1907
National Association for the Advancement of Colored People (NAACP)	1909
Boy Scouts	1910
National Urban League	1911
Girl Scouts	1912
American Cancer Society	1913

Figure D.19 New Organizations in U.S. Philanthropy in the Early 20th Century

The Great Depression of the 1930s created immense needs across the country. Tension developed between those who believed people with money should meet the needs of the homeless, unemployed, and hungry and those who believed the government must play a role in providing widespread assistance. President Herbert Hoover believed local people should contribute to local community chest campaigns to raise money to help those in need. In 1931, he endorsed a major effort through the Unemployment Relief Organization. Its members included the leaders of major corporations and businesses. The Association of Community Chests and Councils carried out the fundraising. While considerable money was raised, the amount fell far short of what was needed for relief. The policy of depending on private donors rather than government to solve major national problems was about to change.

Government Philanthropy and World War II

The social welfare problems during the Great Depression were so large that only government could address them. When President Franklin Roosevelt took office in 1933, he had a very different approach from President Hoover. President Roosevelt's programs allowed government to provide assistance. This was a new type of philanthropy—government philanthropy. The federal government used New Deal programs to lessen unemployment through public works such as the Civilian Conservation Corps (CCC) and the Work Progress Administration (WPA).

Would private philanthropy survive the Great Depression and the New Deal? Government programs were replacing smaller community programs. While the government contributed major funding, private philanthropy continued to provide aid. At times, private and governmental programs cooperated. In 1937, for example, the Red Cross and the federal government joined to help flood victims along the Mississippi and Missouri rivers. The federal government also encouraged private philanthropy. The Revenue Act of 1935 permitted corporations to deduct 5 percent of their charitable giving from their taxable income. The federal government was thus granting a tax incentive for giving. Yes, philanthropy would survive. There was plenty of work for both government and private philanthropy.

World War II philanthropy dealt with military conflict and its outcomes. In 1941, the Red Cross established its blood donation program, which continues today. Many relief groups organized to assist military personnel, their families, and war refugees, and to make preparations for rebuilding after the war ended. Due to the war, giving was so great that it was very difficult to coordinate successfully. Every community in the country wanted to help with the war effort. A major coordination effort was necessary to collect items of clothing or food from several thousand towns and cities. The items then needed to be sorted, packaged, shipped to another country, and delivered into the hands of the people who needed them. Programs during the war needed approval from governmental agencies. The philanthropic spirit was at work, but the difficulties were great. Despite the problems, philanthropic organizations in the United States sent huge amounts of money and goods to the war zones (Bremner, 1988).

The need did not end with the war. Beginning in 1946, packages from the Cooperative for American Remittances to Europe (CARE) were sent to Europe in large numbers. They were prepared and sent by American schoolchildren, factory workers, and faith-based groups.

During the Depression and World War II, philanthropy had gone through a change. From a mainly private activity, philanthropy had also become a major activity of federal and state governments. The federal government worked at two levels—within the United States and internationally. In the United States there were major public works projects and social programs in education and health care. Outside the United States there was the Marshall Plan in Europe and international assistance to developing countries. The United States was a founding member of the United Nations (UN), which supported educational, social, and cultural programs in countries around the world. Developing countries in Asia, Africa, and Latin America needed agriculture, health, and social services. The United States assisted directly and indirectly through the UN and other international organizations. The U.S. government had become a major donor at home and in other countries.

Late 20th-Century Philanthropy

In his 1961 inaugural address, John F. Kennedy stated, "that the torch has been passed to a new generation of Americans." Government at the state and federal levels reassessed the needs of the country. Not since the New Deal had there been such an increase in programs to assist people at home and abroad. One of President Kennedy's programs, the Peace Corps, was begun in 1961. Thousands of volunteers went to Africa, Asia, Latin America, and the Pacific Islands to assist local people in improving their lives. They taught in schools, dug wells for drinking water, introduced new methods of farming, and improved public health. The Peace Corps continues today (Peace Corps, 2003).

Government programs during Lyndon Johnson's presidency continued to grow, with a strong focus on needs in the United States. The War on Poverty allowed federal and state governments to address social and economic issues. Tax dollars poured into government programs. The amount of money collected and distributed by philanthropic organizations was less than that spent by governmental agencies. Was traditional philanthropy, as it had developed since the time of Cotton Mather and Benjamin Franklin, still needed? Although the great increase in direct government funding for social and economic assistance created tension between philanthropic organizations and the government, several public policy changes provided support for philanthropy. First, government agencies gave money to community service organizations to provide services and assistance. Voluntary agencies began using government funds to carry out their work. The result was a new policy in which private resources supplemented public funds to improve the quality of life.

Second, tax policies were changed to encourage philanthropy. The 1969 Tax Reform Act included major changes in how foundations were managed and increased tax benefits to individuals who gave to charitable organizations. The new tax law rewarded individuals who gave money. Individuals gave 80 percent of the funds donated in the 1960s. About half of those funds went to faith-based institutions (Bremner, 1988).

Yet another important change was occurring in the United States during this period. Wealth was increasing. People earned higher wages and had more money to spend. Investment and retirement funds grew. Would that be reflected in giving by individuals? Despite concerns that governmental programs would end philanthropy, the total amount of funding has increased steadily from 1962 to the present. The total giving in current dollars has increased in every year except 1987 and 2009. Adjusted for inflation, giving typically increases in non-recession years and stays flat or falls in recession years. During the 1973–1975 recession, inflation-adjusted giving declined 9.2%. In 1987, it declined 4.8%. For 2009, the inflation-adjusted estimate of decline in giving was 3.2%.

How is the donated money distributed and used? The pattern has not changed very much over the past forty years. Faith-based organizations receive the most contributions, but contributed funds meet many needs. According to Giving USA, religious organizations received 33% of the contributions in 2009. The next largest funding recipients in 2009 were education (13%), grantmaking private, community, and operating foundations (10%), and human services (9%). Other recipient types include arts, culture, and humanities (4%), environment/animal-related organizations (2%), health organizations (7%), international affairs organizations (3%), gifts to foundations (10%), unallocated giving (10%), and public-society benefit such as United Ways, Jewish federations, and free-standing donor-advised funds (8%). Individuals received an estimated 1% of the dollar value of charitable contributions, mainly in the form of medicines supplied by the operating foundations sponsored by pharmaceutical companies.

Political Leaders' Views of Philanthropy

The final two decades of the 20th century saw many political leaders in the United States focus the country on philanthropy. President Jimmy Carter and Mrs. Rosalynn Carter began working with Habitat for Humanity in 1984. Habitat builds houses for people who are poor in the United States and in other countries of the world. Observing a past president and his wife volunteer their time and labor inspired many others to participate.

President George H. W. Bush used the phrase a "thousand points of light" in his speech at the 1988 Republican National Convention. He was referring to the thousands of volunteers and organizations in the United States that give to help others. During his presidency, the Points of Light Foundation was formed. It coordinates community service through a partnership with the Volunteer Center National Network.

President Bill Clinton gave personal support to volunteer action. In numerous public speeches he stressed the importance of people helping people. In January 2001, an earthquake in India killed more than 20,000 people. President Clinton asked India's Prime Minister how he might use his influence to address the crisis. The result was the America India Foundation, which organized relief for victims of the earthquake, assisted in reconstruction of houses and community buildings, and helped with food and health care. Since the earthquake, the Foundation continues to provide funds and volunteers to assist with projects in India (Global Giving Matters, 2002). In this case, one phone call from the president resulted in many people joining the effort to help.

A major government-sponsored project to increase and focus the efforts of millions of volunteers in the United States was approved in 1993. Called the Corporation for National and Community Service, its mission is to

> provide opportunities for Americans of all ages and backgrounds to engage in service that addresses the nation's educational, public safety, environmental, and other human needs to achieve direct and demonstrable results and to encourage all Americans to engage in such service. In doing so, the Corporation will foster civic responsibility, strengthen the ties that bind us together as a people, and provide educational opportunity for those who make a substantial commitment to service. (Corporation for National and Community Service, 2003, p. 1)

The Corporation operates three main programs. Senior Corps was designed to use the skills, talents, and experience of more than 500,000 Americans age 55 and older. These Americans serve as foster grandparents, offer companionship to homebound adults, and perform such other services as conducting safety patrols for local police, participating in environmental projects, and responding to natural disasters.

Through the second program, AmeriCorps, fifty thousand Americans serve their communities 20 to 40 hours a week. Most AmeriCorps members work through local and national nonprofit organizations such as Habitat for Humanity, the American Red Cross, City Year, Teach for America, and Boys and Girls Clubs of America, and small community organizations, both secular and faith-based. Volunteers can be paid living expenses and receive an education award after completing two years of service.

The third program, Learn and Serve America, provides grants to schools, colleges, and nonprofit groups. These grants support efforts to engage students in community service linked to academic achievement and development of civic skills. This type of learning, called service-learning, improves communities while preparing young people for responsible citizenship.

In 2002, President George W. Bush placed the Corporation for National and Community Service and Peace Corps under the umbrella of the USA Freedom Corps, continuing the tradition of presidential leadership for service. Of course, the support of Congress for such programs is also necessary.

Issues related to philanthropy can still cause controversy. One of the tensions within American government has been the separation of church and state. During the presidency of George W. Bush, this tension arose in the context of philanthropy. President Bush proposed that faith-based organizations be given greater opportunities to gain governmental funding. This proposal was referred to in the media as the Faith-Based Initiative, and debates, discussions, and both organized support and protests followed. Whether this idea violated the First Amendment's prohibition of government-established religion was the question.

One of the important achievements of democratic government was realized. A compromise was reached. In 2003 the Congress passed The Charitable Tax Act of 2003 (Congressional Budget Office, 2003). The act increased the tax benefits for individuals who donate money to philanthropic organizations. We can be sure, however, that the debates regarding the relationship between government and philanthropy will continue.

Looking to the Future

Just as philanthropy has carved a major place in American society in the past, its importance is expected to increase in the future. Two reasons are given for this prediction. First, future trends are often related to the past. The growth of giving between 1962 and 2002 may be used to predict giving in future years. While the exact amount cannot be predicted, the general trend of increased giving will probably continue.

Second, each generation of Americans—whether the Great Depression Generation, the Baby Boom Generation, or Generation X—has its own personal and social history. Members of the generation that were involved in World War II, sometimes called the "Greatest Generation" because of their sacrifices during the war, are now 75 years or older. More and more of them are dying each year. With their passing, the wealth they accumulated is passed to a new generation. The children of the "Greatest Generation" are the "Baby Boomers." The oldest members of that generation are in their 60s. Part of the wealth of those two generations will be left to children and other family members. However, the trend over the past several decades has been that more and more people are leaving all or part of their wealth to philanthropy. Predictions are that total giving will increase with the passing of the Baby Boom Generation.

Conclusions

Philanthropy and giving were among the core values that immigrants practiced in Colonial America. With the founding of an independent country, the principles of giving became increasingly important. The young United States was viewed as a country of helpers and givers. Communities responded to the needs of others in very basic and practical ways. In the African American community, giving was based on African traditions and was an important way to withstand the brutal institution of slavery. Across the country, people helped one another in many different ways. That tradition continues today.

In the 21st century, giving is organized differently. Organizations like the United Way, St. Jude's Children's Research Hospital, Toys for Tots, and hundreds more pursue different goals. However, they represent an umbrella of giving that permeates all of American society. Giving money, services, and time to participate in improving the quality of life has been and continues to be a core value of American society.

Note

Giving USA is a public outreach initiative of Giving USA Foundation™. The foundation, established by Giving Institute: Leading Consultants to Non Profits, endeavors to advance phil anthropy through research and education. The Center on Philanthropy at Indiana University is a leading academic center dedicated to increasing the understanding of philanthropy and improving its practice worldwide through research, teaching, training, and public affairs programs in philanthropy, fundrais ing, and management of nonprofit organizations. The complete *Giving USA 2010* report, with data covering 2009 giving, is available at www.givingusa2010.org, at www.givingusa.org, and at www.philanthropy.iupui.edu.

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6. Philanthropy in World History and Culture

Kathryn Ann Agard

World history, even when limited to the period after human beings arrived on the scene, covers a vast amount of time. Thus, in writing about a topic within world history, such as philanthropy, a clear focus is needed. To select a focus for this chapter, we asked the question: What were the major relationships providing knowledge about philanthropy throughout history? Two influences are especially important. One is language, which holds the record of philanthropic deeds or patterns among a group of people. The second is religion, the source of many ideas and concepts that have become part of various groups' cultures. Therefore, in this chapter we first examine the role of language in studying philanthropy. We then focus on the role of philanthropy within major religions.

Using Language as a Clue to Study Philanthropy

Imagine that you have been asked to reconstruct a period of history that occurred before there were written records. What would you do?

Consider the many groups of people in East Africa who developed civilizations before there were written records. They were known as Bantu peoples because most of them spoke a similar language. The language developed in Central Africa and spread east and south as people migrated to new agricultural and hunting grounds. The language of those early peoples has been reconstructed. It is called proto-Bantu because it is a model of what the language was probably like several thousand years ago. It is based on evidence found in the languages of people across the region today (Feierman, 1998).

You are researching whether the early Bantu-speaking peoples had the practice of giving to one another. Today, we call this practice philanthropy, giving to improve others' quality of life. As you review words in the proto-Bantu language, you discover the word gab. It has several different meanings (Figure D.20). What would you conclude if you were researching the idea of "giving" and discovered the word gab?

A second ancient word, -kúmú (Figure D.20), refers to a person who is rich, has honor, and is a leader. If the two proto-Bantu words are used together, then it suggests a very old pattern of giving as a means to build leadership. While no written accounts are available, the language handed down across the centuries reveals patterns of giving very early in African history.

The language of a group of early North Americans also reveals the concept of giving. The Ojibway lived in the Great Lakes Region around 500 years ago. They moved regularly, spreading their influence along the Mississippi Valley and west of the Great Lakes Region. They left no written record of their culture. However, they did leave evidence of their presence in mounds that they constructed. The mounds were large piles of earth that had religious importance to the Ojibway. Scientists examining the mounds have found such artifacts as tools, carvings, and trade items from distant locations.

Two words from the Ojibway language suggest that giving was a part of religious ceremonies. The term *mide* means "the sound of the drums." The word *wiwin* is translated to mean "doings." The *midewiwin* was a story of the migration of the Ojibway people. It told of the strong sense of community among the people. It also told of the redistribution of

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goods given as gifts. Those who have studied the language of the Ojibway suggest the "common good" was an important value (Grim, 1998).

In Southwest Asia about 4,000 years ago, Hammurabi ruled as King of Babylonia. His empire extended from the Persian Gulf through the Tigris and Euphrates river valleys (Mesopotamia and present-day Iraq) and westward to the coast of the Mediterranean Sea. He was very successful at protecting his lands from enemies and fostering prosperity. Throughout his long reign, he personally supervised many projects to improve the "common good." These included navigation on the rivers, irrigation, agriculture, and tax collection.

Words	*Meanings*
gab	a. to divide b. to give away c. to distribute d. to help or provide services
kúmú	a. a rich man b. someone who has honor c. leader

Figure D.20 The Proto-Bantu Language and Philanthropy

Hammurabi is remembered for establishing codes, or laws, that he expected would result in a civil society. Hammurabi's "civil society" must be considered in historical context. There were enslaved people, a class system, and harsh penalties for breaking the codes. However, many of the codes were directed toward the "common good." For example, arrangements were made to protect widows and children. The codes did not specify giving money, services, or time to assist others, but did present a philosophy of helping others (Hammurabi, c. 1700 BCE).

Most cultures that have been researched include the concept of generosity. Across the sweep of world history, that generosity reveals itself in various forms because of the cultural and historical conditions in which it occurred. Cultures having few material goods may have given encouragement or time. Cultures that developed considerable wealth may have given huge monuments and buildings as gifts to a society. However, the underlying desire to give was present across time and place (Anderson, 1998).

The most common word in English that describes this pattern of giving and serving is "philanthropy." The word is rooted in the Latin language from the Greek-based words philanthropos meaning loving people combined with anthropos meaning human being. In Western civilization the word for giving and serving, philanthropy, means quite literally the love of human beings (Merriam-Webster, 2009).

The Connections Between Religion and Philanthropy

Generosity, giving, and service to others have often sprung from a religious system or philosophy. The love of human beings, philanthropy, describes the religious beliefs in a higher being's love for people. For example, the Ojibway concept of common good was a result of that group's religious practices. The Ojibway religion, while not one of the world's major belief systems, provided a means to focus on the well-being of others in the community.

The world's current major religions have been the basis for much individual and group philanthropy throughout world history. Secular, or nonreligious, organizations emerge in the 19th century as participants in philanthropy and individuals began to be noted for philanthropy not tied to any religion. Thus, the world's religions hold much of the early historical record of giving. In order to examine the role of religion, we will look at the importance of philanthropy within several religious perspectives.

Hinduism and Philanthropy

Hinduism is believed to be among the oldest of the world's religions. It differs from other religions in several ways. First, it does not have a known founder. Second, it does not have one main religious organization. Hinduism consists of hundreds of religious groups that have developed in India over approximately 4,000 years.

The precise year in which Hinduism began is not known. Historians have found evidence that it dates to about 6800 BCE. Much of the early information about the religion was passed from person to person by the spoken word. Some things are known about Hinduism's early period. For example, Greek historians in about 300 BCE wrote that the Hindu people of western India had a record of past kings and events that can be dated to about 6800 BCE. In 6000 BCE people in settlements in Rajasthan, in present-day western India, were growing barley and raising animals. The evidence suggests that Hinduism as a belief system has existed in South Asia for a very long time.

Much of the Hindu belief system is recorded in an ancient written language called Sanskrit. Sanskrit was the basis for many of the world's present languages in the Indo-European family of languages, including English. Today the written form is used for research and the spoken form mainly for religious and scholarly activities. One term in the Sanskrit texts is *dãna.* No English word has exactly the same meaning, but several are close (Figure D.21).

The language provides evidence that generosity and philanthropy had important roles in early Hinduism. The *dãna* has been an important part of Hindu belief. Hindu books such as the *Bhagavad Gita* also provide evidence of generosity.

Philanthropy is deeply embedded within the Hindu religion. However, there is a tension. On the one hand, it is the individual's duty to give. On the other hand, one must decide who is needy and deserves support.

The teachings to humanity about the principles of *dãna* state:

> Give. Give with faith. Do not give without faith. Give with sensitivity. Give with a feeling of abundance. Give with right understanding.

The *Bhagavad Gita* teachings dwell on the ethical and moral imperatives of practicing philanthropy: "The meaning of giving is that which is given without any expectations of return and without any strings attached." *Datavyamiti yaddaram diyate anupakarine (dãna.).*

Kabir (c.1398–1470), one of the great mystics and critics of religion and morality, challenges human beings saying:

> "You came into this world with fists closed and you go away with open palms. So even while living stretch your hand open and give liberally." *Mutti bandhe aye jagat me hat phasare jaoge bhai.*

Historically, giving within Hinduism has many aspects. The caste system (which is no longer legal) decided the role of people in society. The Brahmin was the highest level in the Hindu caste system. The Brahmins' special role in society was to pass along knowledge and learning. The Brahmins were given gifts by people in the lower castes.

India is often described as a country that makes guests feel welcome. In earlier times the welcoming of guests was a duty and responsibility. It was a part of the Hindu act of giving. That act of giving to strangers remains a part of Indian culture. The philosophy that the individual is responsible for the well-being of others has been the basis for generosity within Hinduism.

Buddhism and Philanthropy

Buddhism is both a religion and a philosophy of life. It provides a guide to a caring and nonviolent life. It is one of the world's oldest religious faiths, beginning in India about 2,500 years ago. Studying Buddhism is somewhat like studying philanthropy. An individual who gave up wealth and status in order to serve others started the religion. Today more than 500 million people in the world follow Buddhism.

A son named Siddhartha was born to a wealthy ruler of a small kingdom in northern India. The year was 563 BCE. The Guatama family was able to give their son all of the fine things in life. He married at age 16. Siddhartha's father wanted him to become King and rule the kingdom. The family's wealth protected Siddhartha from the daily problems earning a living.

Siddhartha's life from this time forward is not well recorded. Legend and historical record have been woven together to explain Guatama's role in the development of Buddhism. After living a rather lavish life, the young Guatama reportedly decided to leave the palace, his wife, young son, parents, and servants. He decided to search for the cause of suffering and do something to overcome it. He gave up his way of life to help others.

Sanskrit Word	*English Translation*
dãna	1. gift 2. charity 3. donation 4. grant 5. alms 6. benefice

Figure D.21 Translations From Sanskrit

Guatama developed his belief system through personal suffering and sacrifice. He starved himself until near death. During one close call with starvation, Guatama saw an image of a lute, a three-stringed instrument. If the strings were too loose, they made no sound. If they were too tight, they broke. The strings must be just right to produce a musical sound. That vision led Guatama to a period of meditation, or deep, quiet thought. In meditation he saw his true nature and the nature of all living things. At the conclusion of this meditation, he became known as Buddha.

Buddha and the monks and nuns who followed him were traveling teachers of the religion. They relied upon gifts of food and shelter, on the faith that people would welcome and take care of a stranger. Each carried a begging bowl. Food given to the monks and nuns in the streets was also shared with poor people. Almsgiving, or giving food to poor people, thus developed as an important shared belief within the religion. Donations were also used to build rest houses for travelers and monasteries.

Buddhism in modern society involves generosity and giving. Buddhism exercises three strong influences on people's desire to give. First, Buddhism expects that followers will participate in socially important acts of charity, including almsgiving of food and money. It also includes voluntary service as gifts of time and energy in service to the poor.

Second, Buddhism expects its followers to perform acts of mercy. The goal is to recognize suffering among all living things and provide relief. Third, Buddhism provides the gift of education to all who want to learn. Learning, the highest gift, enables the mind to expand, meditate, and reflect in the very way that Buddha did 2,500 years ago (Guruge et al., 1998).

During the past 2,500 years, Buddhism has spread across the world. Every inhabited continent has followers of Buddhism. The largest numbers of followers are in Asia in a wide arc stretching from Myanmar to Sri Lanka to Japan. Northern India, where Buddhism began, is no longer a major center for Buddhism, and the Buddhist population is a minority. The region does retain its importance as the historical site where the religion began. One of the most prominent followers of Buddhism is the Dalai Lama. He is the spiritual leader of Tibetan Buddhists (Tucci, 1980).

Buddhist societies have organized in all parts of the world to encourage charitable and philanthropic activities among followers. The religion has been important in the philanthropic history of the world. Buddha laid down the philosophy for generosity and giving that has influenced and assisted others.

Judaism and Philanthropy

There are many references to philanthropy within Judaism from its early-recorded history. The Torah, the Jewish holy written word, contains many indications of charitable deeds and giving. The Talmud, scholarly writings about the religion, represents more than 2,000 years of recorded Jewish history. Judaic scholars believe that, while philanthropy was part of the religion, it was also necessary for survival (Penslar, 1998). Jewish philanthropy focused largely on the family and the Jewish community. Judaic scriptures make reference to the gabbai, people similar to social workers who worked to help poor people in the Jewish community.

In Genesis, the Jewish people are guided by the words: "I will make you into a great nation and I will bless you; I will make your name great, and you will be a blessing. I will bless those who bless you, and whoever curses you I will curse; and all peoples on earth will be blessed through you."

Moses Maimonides (1135–1204) is one of Judaism's most revered rabbis (teachers). "He speaks of eight levels of tzedakah, a term often translated as "charity" but perhaps better translated as "righteousness" or "equity" (Kass, 2002). In the Mishneh Torah he noted eight levels of giving, each more virtuous than the previous. These are giving

1. reluctantly;
2. less than one should, but cheerfully;
3. enough, but only after being asked directly;
4. before being asked;
5. in a way so the giver doesn't know who receives the tzedakah;
6. in a way so the receiver doesn't know who gave the tzedakah;
7. in a way that neither knows who the other was; and
8. in the form of providing work or money so the receiver will not need tzedakah again.

The Middle Ages began in about 500 CE and extended to 1500 CE. This era began with the decline of the Roman Empire. It ended with the period of enlightenment, in which European developments in science and technology emerged.

Jewish people in the Middle Ages lived mainly in the growing cities of Europe and Southwest Asia. They lived within sections of the cities called the Jewish ghetto. Often Jews were forced to live in certain areas of the city by the governing authorities. During the Middle Ages, Jews were not permitted to belong to guilds. Guilds were organizations of merchants and skilled workers who decided who could and could not belong. The guilds and the Christian communities were the major providers of charity, and Jews belonged to neither. The ruling authorities expected that Jewish people with more financial resources would care for the poor in their community. A sense of obligation to giving thus developed within the Jewish communities and later became a part of the religion.

The first Jewish orphanage was started in Amsterdam in 1648 (Penslar, 1998). Philanthropy to aid the Jewish community included many of the same services provided by philanthropy in other religious communities. Another important philanthropic activity for Jews was sending funds to the Holy Land. The funds were to help Jews who were preserving the Jewish presence and culture in the region.

During this period, disputes occurred between the two major European religions of the time—the Roman Catholics and the Protestants. The disputes reached their peak in the "Thirty Years War" (1618–1648), which destroyed much of Europe. People lost their homes. Armies occupied regions and people were forced to migrate. Jews became scapegoats based on poverty and their country of origin. Jews from Germany and Poland were especially affected and fled to communities in other parts of Europe. The Jewish community reacted by helping immigrants learn trades and find employment.

The 200 years between the end of the Thirty Years War and the mid-1800s witnessed a steady increase in both the need for and the response by philanthropy within the Jewish community (Penslar, 1998). B'nai B'rith was established in 1843 as an international philanthropic organization. The organization was founded on the religious obligation to give. It provides relief largely, but not exclusively, to Jewish communities and individuals. It continues to be very active and has become a powerful voice for Jewish philanthropy throughout the world. In the second half of the 20th century it assisted in many countries, providing disaster relief, senior housing, and community projects such as health and education.

An organization called the Duetsch-Israelitischer Gemeindebund (DIGB) was started in Germany in 1872 to help homeless and poor Jews. DIGB built and ran hospitals, retirement homes, orphanages, schools for girls, and workers' dormitories.

The growth of Jewish philanthropy during the 20th century was affected by the Jewish diaspora. A diaspora is the settling of national or ethnic groups far from their homelands. The migration of Jews from the Holy Land and Eastern Europe was a *diaspora*. It was the result of persecution of Jews over the centuries culminating in the Holocaust during World War II.

Throughout history, Jewish philanthropy has focused on three aspects of giving. First, in Hebrew, giving is called Tzedakah and is believed to be the necessary and right thing to do. While there is a long history of Jews giving within their communities, giving now extends to other communities.

Second, giving is focused on strengthening the cultural, ethnic, and religious identity of the Jewish community worldwide. Education, Jewish holidays, Hebrew language, and synagogues are supported to assure that the religion and culture continue.

Third, Jews have suffered greatly as a result of persecution during the 20th century. Entire families and communities of people were exterminated during the Holocaust. Philanthropy has been used to help Jews in unsafe situations. An example is the rescue of Jews from the former Soviet Union in the 1980s and 1990s. At the same time, Jews in Ethiopia were experiencing discrimination and extreme poverty as civil war engulfed that country. Major programs were undertaken to deliver Jews in life-threatening situations to safety in Israel or another welcoming country.

Christianity and Philanthropy

The practice of giving was an early part of the beliefs of Christianity. Three main divisions of Christianity are: Catholics, Protestants, and Orthodox. In turn, there are subdivisions within each of the three groups. For example, Protestants include Lutherans, Presbyterians, Methodists, Baptists, and many more.

As a written document, the Bible provides much information about philanthropy and its beginnings in Christianity. The story of the "Good Samaritan" has been repeated many times; present-day headlines often refer to someone who has done a good deed as a Samaritan. While the Bible contains many references to "giving," several are widely recognized:

2 Corinthians 9:7 God loves a cheerful giver.

Acts 20:35 It is more blessed to give than to receive.

Luke 12:33 Sell your possessions and give to the poor. Provide purses for yourselves that will not wear out, a treasure in heaven that will not be exhausted, where no thief comes near and no moth destroys.

The biblical references to philanthropy have undoubtedly influenced many individuals to participate in giving. Giving of one's personal time and services in direct ways came to be viewed as the most meaningful act of Christian philanthropy (Oates, 2003).

Philanthropy among Christians was both institutional and individual. It was institutional because Christian communities actively encouraged charity for the poor. In Christian Europe during medieval times, the churches and monasteries were economic as well as religious organizations. They owned and controlled large areas of land and natural resources, allowing them to provide help to the poor, the homeless, the sick, and the pilgrims who sought shelter during their journeys to holy sites in Jerusalem.

The Christian church relied on *tithes*, or donations of money, from people who lived nearby or who attended the church. Tithes were given freely by individuals, but were expected by the church if one was to show true Christianity. Rich landlords and noblemen also funded the building of shelters, hospitals, and the care of orphans. Alms boxes were also common inside churches where gifts could be left for the poor.

Giving to the church in Medieval times did have some advantages for the donor. Those receiving aid often were required to pray for the donor's soul! When the Black Death (The Plague) struck in the 1340s, the poor and homeless were affected most. They, therefore, were seen as less desirable residents of communities. The charity they once received from the church was discouraged in hopes they would move.

The increasing population in Europe in the late 1500s, especially in such urban areas as London, Paris, and Amsterdam, raised many concerns about how to care for people in need. The main economic practice was *mercan tilism,* a system based on accumulating valuable metals, creating colonies, and building industry to make products for export. European governments believed they should export goods and build up reserves of precious metals, mainly gold and silver. The workers who produced the goods were often poor. The result was an increase in philanthropic activity to provide services such as schools, hospitals, and housing for the poor. Fortunately, the rise of mercantilism increased the food and supplies available to churches to assist the poor.

Population growth in cities put faith-based philanthropy at a disadvantage in the 1700s. Cities like Amsterdam, Paris, London, and Nuremberg attracted more people than the churches could assist. This resulted in an important change in European philanthropy. City authorities took responsibility for providing assistance. People were taxed to provide for the sick and the poor. Government care for the poor through both donations and taxes became common.

The Age of Exploration that began around 1500 and the colonies that resulted from the explorations made it possible for the idea of Christian charity to be exported to other parts of the world. Members of the Christian churches joined or followed the explorers to North and South America, Africa, and East Asia. In Central and South America, the major force was the Catholic Church. In Africa it was a mix of Protestant and Catholic, depending upon whether the colonizers were French, Belgian, Portuguese, and Spanish Catholics, or English and Dutch Protestants. In Asia, Islam, Buddhism, Hinduism, and the teachings of Confucius in China met the Christian religious groups.

While there were conversions to Christianity among the local people, most continued to follow their traditional religion. The major exceptions were French Indo-China (present-day Vietnam, Laos, and Cambodia), where the Catholic Church gained a foothold during the colonial period. In China, Hong Kong was the exception, with the Church of England becoming prominent. In North America, the French Catholics settled in Quebec, and the American colonies included Puritans, Quakers, Catholics, and Church of England (which later became the Episcopal Church in the United States).

One of the most active Christian philanthropic organizations was the Sisterhood of Holy Charity, begun in 1727 in Latin America. Rich landholders provided money and land. The Catholic Church provided people to run the charities. The charities provided food, housing, medical assistance, and education to the poor. The Sisters of Charity provided an opportunity for women to enter the public world. The Sisters served as nurses, social workers, and public health teachers. For most women, there were barriers to entering the workforce. Those who did work did so out of economic necessity and were restricted to jobs as domestic servants. The Sisters returned the philanthropic gifts of wealthy landowners by assuring a steady supply of healthy workers. In an economic system based largely on plantation agriculture, healthy workers were critical (Thompson et al., 1998).

Beginning in 1776 in North America, in the 1820s in South America, and during the 20th century in Africa and Asia, there was a movement away from colonialism. While the end of the colonial era still continues today, earlier changes had a major impact on philanthropy. Welfare, social services, health care, and education were often viewed as the responsibilities of the newly formed governments that emerged from the former colonies. Taxes or other government revenues were used to provide support for people who could not support themselves.

Often faith-based institutions were the only organizations that had experience with philanthropy. Organizations that could manage funds, services, and time from volunteers to help people in need were set up in a number of different ways. Sometimes immigrants from a particular region formed an ethnic association, such as the Polish American Society. In some cases philanthropy was based on trade unions, with each member of the union expected to donate a certain amount from each paycheck. The donations went to support health care, job training, schools, holiday camps, and other services.

Many of the early Christian traditions of philanthropy remain strong today. Christian societies and organizations operate in many countries of the world. They are built on long traditions of service.

Islam and Philanthropy

The Islamic religion was founded in the seventh century. Its followers are referred to as Muslims. The term Muslim means that a follower of Islam has submitted to the will of Allah (God) and is a believer. Muhammed was the central figure in the rise and spread of Islam. Following his death in 632 CE, the followers of Islam collected Muhammed's philosophical statements and beliefs in a book called the Koran (Qur'an). The Koran became the holy book for followers of Islam.

Muhammed was born in Mecca in 570. Mecca was a great trade city in what is now Saudi Arabia. It was an important crossroads for camel caravans linking Southwest Asia, North Africa, and Europe. The busy trade of the city drew people of all races and religions, from many different countries. The people of Mecca had a commitment to provide for the "common good" among the city's many residents and visitors.

The religious belief system for Islam is based on five pillars that guide individuals. The first pillar insists that all Muslims recite the profession of faith, "There is but one God and Muhammed is His prophet. Allah is great and Muhammed is His prophet." The second pillar is participation in the public prayers that occur five times a day. The third pillar is the payment of the *zakat,* a tax to help the poor. The fourth pillar requires fasting from daybreak until sunset during the month of Ramadan. The fifth pillar requires a *hajj,* or pilgrimage, to the holy city of Mecca.

An important idea in Islam is *altruism*, concern for the welfare of others. Islam, within its basic beliefs, stresses altruism. The Qur'an makes many references to service to humanity, philanthropy, and charity. Muhammed displayed altruism on many occasions. In one instance he nursed an elderly woman who was a non-Muslim. Muslims are encouraged to follow the path of altruism (Bhuiya et al., 2003, p. 18). The widely respected books of Islamic Law (*fiqh*) also describe the obligations to giving and the common good.

> *Know that whatever of a thing you acquire, a fifth is for Allah, for the Messenger, for the near relatives, the orphans, the needy, and the way farer.*
>
> Qur'an 8:41

Islam has more than one billion followers, living in a large number of the world's countries. In some countries, like Saudi Arabia and Iraq, the people have followed Islam since it spread from the region where it began. Other countries, such as Germany and the United States, have seen large numbers of Muslims immigrate and become citizens. Other individuals have converted to Islam, such as the Black Muslims in the United States. Each group is a religious society based on Islam, but its members are also German, American, Egyptian, Turkish, etc., depending on the larger society in which they live.

Islamic philanthropic traditions mainly involve giving to support social welfare within the Muslim community. Donations are traditionally made either directly to persons in need or through Islamic social welfare institutions. Within Islam, the goal for philanthropy is to achieve *social justice*. Social justice is defined as the protection of universal human rights. Those include civil, political, economic, social, and cultural rights. In addressing social justice issues, there should be no discrimination on such grounds as religion, sex or gender, race or ethnicity. The goal of social justice in the broadest context is similar to the philanthropic goals of other religions.

The Qur'an states that the most important direction in which the (free choice of mankind) can lead is to free the oppressed, relieve the hunger of the uncared for and those who are so destitute as to be reduced to grinding poverty. Those who choose this path, embody the highest values of compassion and caring (Nanji, 1995).

Yet Islamic philanthropy reflects the diversity of Muslim societies around the world. Some employ a rigid interpretation and application of Islamic teachings in philanthropic activities. Others believe that philanthropy should be a nonpublic activity, known only to the person giving. Still others believe that designated public organizations should be responsible for philanthropy (Center for Languages and Culture, 2002).

In spite of differences within Islamic societies about how giving is carried out, several basic principles guide Islamic philanthropy:

1. Charity has to be from lawfully earned money; no concept of Robin Hood like acts exists in Islam.
2. The concept of ownership of wealth in Islam is that all wealth, after necessary personal and family expenses, belongs to Allah. It is up to the individual to decide how much of this excess wealth he should give back to the cause of Allah; if none is given, it is claimed by Satan.
3. All philanthropy should be for the pleasure of Allah alone. (Shahid, 1997)

Islamic law defines traditional charity that is expected of Muslims. The first type is zakah, a required tax. Every Muslim is obliged to give. Within Islamic law, zakah is the legal right of the poor to the wealth of the rich. The zakah must amount to 2.5 percent of the year's savings. Zakah means purification, and the purpose of giving is to purify a person's wealth.

Another form of charity is sadaqah. This is voluntary giving that depends on both the need to give as well as the amount of excess wealth one owns. Within Islamic beliefs, philanthropy should not be used as a tax shelter or to win personal recognition. It is to be used strictly for the love of Allah.

Recent History of Global Philanthropy

Three important changes have recently occurred in the history of world philanthropy. First, in 1945, delegates of 51 countries meeting in San Francisco established the United Nations. Its Charter provides for the UN to monitor human rights, to provide relief and assistance, and to create programs to improve the human condition. Second, the number of nongovernmental organizations has increased rapidly as well as the donations of money and volunteer time they receive. These organizations provide a variety of assistance to people in many countries. Third, since the 1980s there has been a steady increase in the number of wealthy individuals who have given large amounts of wealth for international philanthropy. Those gifts make headline news, but are only a small part of overall contributions, mostly made by people who do not have great wealth.

The United Nations

The United Nations (UN) was established to preserve peace through international cooperation and collective security. At the beginning of 2004, 191 countries belonged to the UN. Figure D.22 lists UN agencies providing aid to people in various parts of the world. These agencies give money, services, or time in ways that will help people worldwide.

UNICEF, the first agency in Figure D.22, has a major role in meeting the needs of children worldwide. For example, within 48 hours of a major earthquake in Iran in

UNICEF	United Nations Children's Fund
UNESCO	United Nations Educational, Science, and Cultural Organization
ILO	International Labor Organization
FAO	Food and Agriculture Organization
WHO	World Health Organization
WB	World Bank
IMF	International Monetary Fund
UNHCR	Office of the United Nations High Commission for Refugees
WFP	World Food Program
UNEP	United Nations Environmental Program

Figure D.22 United Nations Philanthropic Agencies

2003, UNICEF flew in "40 tons of much-needed medical supplies, blankets, water tanks, and material for building makeshift shelters" (UNICEF, 2003). The agency also provided experts to assist local authorities with their efforts to recover from such events.

Member nations contribute funds to the United Nations. UN agencies then redistribute the funds through programs. The contributions are examples of philanthropy by countries to help other countries.

Nongovernmental Organizations

A nongovernmental organization (NGO) is any nonprofit, voluntary citizens' group. It may be organized on a local, national, or international level. NGOs are supported by individuals, corporations, international organizations such as the World Bank, and governmental agencies that provide international aid.

A large number of important philanthropic projects are undertaken by NGOs. Some address specific issues, such as health or the environment. Others focus on the establishment of community gardens in poor neighborhoods. Many work with agencies of the United Nations. Since the end of the colonial period in Africa and Asia, NGOs have increased their role in providing international philanthropy (Knickerbocker, 2001).

The Internet and World Wide Web have aided the development of NGOs. They have enabled NGOs to coordinate their activities more effectively and efficiently. Money can be donated electronically, large numbers of members can be alerted to lobby governments and corporations, and information about their work can be sent to many people. People from different places can be recruited to volunteer time and skills. More people are able to communicate and take an active part in decision making.

The 1992 United Nations Conference on the Environment and Development (the "Earth Summit") in Brazil was an example of the power of NGOs. Their views on the environment were often opposed to the views of the 100 governmental delegations at the conference. Because of pressure from volunteers, the NGOs were able to participate in the debates.

NGOs from 23 countries greatly influenced an international treaty banning the manufacture, distribution, and use of landmines. In 1997, Jody Williams, a leader in the U.S.-based International Committee to Ban Landmines, was awarded the Nobel Peace Prize for their accomplishments. In receiving her award, she stated her main resource in bringing pressure to ban landmines was e-mail from the millions of people who supported the ban.

Finally, NGOs have had an impact on the thinking of international business leaders. Nike, the maker of sporting equipment, was convinced to improve working conditions for its workers in many countries. Home Depot was convinced to consider the effects of deforestation and now certifies its lumber products as harvested "sustainably." The World Wildlife Fund has influenced Chevron Oil Company in its worldwide program to protect the environment.

Wealthy Individuals as International Philanthropists

At the beginning of and during the 20th century a number of wealthy persons gave their fortunes to philanthropy. They included Andrew Carnegie, W. K. Kellogg, Eli Lilly, John D. Rockefeller, Charles Stewart Mott, Henry Ford, Madame C. J. Walker, John D. and Catherine T. MacArthur, as well as others.

At the end of the 20th century, a new group of wealthy individuals entered international philanthropy. Ted Turner, the head of Turner Broadcasting, pledged one billion dollars to the United Nations. George Soros, an investment entrepreneur, founded the Open Society Institute. Bill and Melinda Gates of Microsoft started the Bill and Melinda Gates Foundation.

The Soros-funded Open Society Institute has been very effective in starting programs to improve democratic government and civil society in Eastern Europe and Russia. The Turner grant to the United Nations will be used for a number of international programs. The Gates Foundation is supporting projects mainly in health and education. One example is a project to develop a vaccine against malaria. Thus, these large sums of money donated by wealthy individuals are having an impact on specific problems.

Conclusion

As far as we know, philanthropy, or giving to help others, has been present for all of human history. Philanthropy is often viewed as one thing that makes people uniquely human. There is satisfaction in helping others, and in some cultures it is an expected part of traditions. Families, villages, extended families, cultural groups, and even complete strangers give willingly of their money, services, and time.

Individuals of modest or little means give most of the world's philanthropy. Most of the philanthropy given is time and service. People provide service to their communities and to each other each no matter where they live. Religious traditions inform us that this has been going on for at least three millennia.

Religious faith brought people together who focused on their right to exist beyond the power of the state or crown to control. "Such groups insisted, in the name of all that was holy, that no one could prevent them from joining together 'for religious and charitable purposes.' In the name of God, they claimed the right to be, to organize, to care for the neighbor, and to set forth their views publicly" (Stackhouse, 1990).

This organization around principles of faith has carved out a "social space" in many nations that has become the philanthropic sector. Philanthropy continues to playan important role in the civil society of the newest millennium.

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7. The Economics of Philanthropy: Do We Give Until It Hurts, or Does It Hurt Until We Give?

Robert B. Harris and Richard Steinberg

Economics as Decision Making

People often think of giving to charity strictly in terms of sacrifice; of course, giving does mean sacrificing something. However, the explanation is more complicated than that. Donors give because they want to contribute, and their motives are varied. Economists assume that people are rational, which means that they make decisions that improve their lives, rather than making themselves worse off. That doesn't mean that the gain has to be financial or even that people are selfish. It means that philanthropy occurs because people are happier giving than not giving—and there are many reasons why being charitable makes people happy.

Economics is the study of how individuals and societies make choices regarding the use of scarce resources. Economics helps us understand why people choose to share their resources (wealth, time, products) with others.

Economics concerns the difficulty of making choices when resources are scarce. Philanthropy fits squarely in economics because there are more worthy causes than there are resources to address them. Donors and volunteers must choose who to help first and how far down their list they want to go.

Types of Economic Systems

Every economic system faces the same basic economic question: How do we satisfy the most wants with our limited resources? Some societies depend on a command economy, or government control, to make their decisions. Others follow tradition, making decisions because "that's the way we have always done it." The most common economic system today uses the market to make decisions. However, all real-world economic systems use a mix of *command, tradition,* and *market principles.*

A *command economy* is an economic system in which the basic economic questions (what to produce, how to produce it, and for whom it is produced) are answered primarily by government. North Korea is an example of a largely command economy.

A *traditional economy* is an economic system in which decisions about the use of resources are made primarily through reliance on tradition or culture. For example, some isolated rural areas in Vietnam and China are still largely traditional economic systems.

A *market economy* is an economic system in which the basic economic questions are answered through buyers and sellers interacting in the marketplace. In many ways, the 19th century United States was primarily a market economy with little interference by government.

Even the United States, which is considered by many to be a free enterprise or market system, is actually a mixed economic system, relying on a combination of markets, government, and tradition.

Consider farming, which is often used as an example of free enterprise. The decision to become a farmer is

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influenced by many things. We know that market influences are important; for more than a century, low farm prices have pushed most of those in agriculture into other jobs. However, tradition remains strong in agriculture. Many people continue to farm rather than move to the city for higher pay because farming is more than a job. It is a way of life. Government uses command powers to slow the movement of people out of farming. Government price supports for farm products have made it easier for some people to remain in farming.

The story is similar in other countries. The People's Republic of China has had a command economy since 1949. In recent times it has become more of a market economy. Government policy was changed to permit capitalists (those who supply financial resources to businesses) to join the Communist Party. That important change showed a willingness to accept the role of markets in this supposedly command economy.

There are also modern and market-driven sides to China's economy (for example, Shanghai). One of the most rapidly growing parts of the city is Pudong, a highly modern urban landscape that thrives on a market economy.

In some isolated rural areas in China, economic activity is decided mainly by tradition. One such place is Luobo, in northern Sichuan Province. This mountaintop village has little to do with the outside world. Consequently, laws and regulations from a distant government have little to do with daily life. There is little trade with the outside world, so nearly all economic decisions are based on traditions in the village. People use barter, shared ownership, and a village market square to sell surplus crops. It is hard to imagine the great distance geographically, culturally, and economically between this village and Pudong, Shanghai.

The Central Asian country Kyrgyzstan is another largely traditional economy, somewhat like Luobo. Economic activities are determined mainly by culture and tradition. However, changes are occurring quite rapidly. When Kyrgyzstan gained independence in 1991, the economy officially changed from a command system to a market economy. Still, for people living a nomadic life as herders of cattle, sheep, and goats, the economic system changed very little. Tradition directed the economy, along with some market activity and command decisions by government. Kyrgyzstan is strongly influenced by tradition. The yurt, or traditional tent, is still used by Kyrgyz nomads. These rural nomads must be able to follow their herds of livestock to new pastures and their yurts are moved easily. This yurt, however, has found a useful role in the growing market economy in the capital city of Bishkek. Shop owners locate them where business is good, such as near a city square. They may also move them to another location later that day or on another day if business appears to be better elsewhere.

The examples from China and Kyrgyzstan demonstrate that, in practice, economies are generally a mix of the three main economic systems: market, command, and traditional. If we examine agricultural subsidies (financial aid) in the United States and France (as well as other countries), then we find a combination of command and market systems. Even in countries that have a strict command economy, there is nearly always a strong underground economic system that operates on the principles of supply and demand. Therefore, modern economic systems are hybrids, or combinations of economic systems that are successful.

The Significance of Economics for Nonprofit Organizations

People often believe that economics is less important for nonprofit organizations than it is in the business world. Nothing could be further from the truth. Resources are scarce, and so nonprofit organizations have to decide how to use them to best further their mission. Some of these resources are unpriced (volunteer time and services are provided at no charge). Economics provides tools that aid decision making even for unpriced resources.

Let's look at an example. Imagine a $75/hour professional person taking time off work to volunteer cleaning up trash in a local park. The city could have hired someone for $5/hour, but now they can have the park cleaned for "free." Or is it? Surely it is cheaper for society to have professionals work where they are most valuable. In economic terms, we would say that the professional persons have a comparative (relative) advantage at doing their own work, and a less-skilled worker has a comparative advantage at cleaning the park. People tend to understand this instinctively, which is why professional people are more likely to donate money than time.

It's the Thought That Counts

Is it really the thought that counts? Have you ever received a gift that you didn't really like? People tend to buy things they like, but other people do not necessarily care for the same things.

Holiday gift-giving is a major economic activity. It is estimated that there is a "remorse loss" to the economy. When people receive items they do not want or need, this "remorse loss" is known more formally as a *social loss*. Social loss is measured as the excess that gift givers paid compared to the value that recipients placed on their gifts. Think about it for a moment. The giver pays $100 for the necklace, but the recipient only values it at $20! The $80 difference is the social cost to the economy. Has it ever happened to you as either a giver or a receiver of gifts?

Perhaps that's why some people have stopped trying to find the ideal gift and settled for gift certificates. Of course, that ignores the old saying, "It's the thought that counts." People enjoy giving and receiving apart from the value of the gifts themselves. Thus, you sometimes have to keep telling yourself that the ugly sweater was really a sweet thought, and the thought was what counted.

Why do people give? Is it because they expect something in return? Or is it because they get satisfaction from making others happy? Or perhaps they want to be liked and loved? Is giving rational? Understanding people's motives for giving is crucial to making sense of the role of philanthropy in the economy. Economists think of charitable giving the same way that they treat other activities—people do things that make them feel better.

Economists argue that people give because it is satisfying for them to contribute. That is especially obvious in the case of gifts within a family, but it is also true of gifts to strangers. Helping the poor may relieve guilt about one's good fortune. It may express sympathy for the less fortunate, or it could reflect a sense of a social contract. Some may think, "If I give to the poor, then I will also receive support if my luck changes." It's sort of an insurance policy without a formal contract.

People often recall reading the children's book, *The Giving Tree,* by Shel Silverstein, or the short story, "The Gift of the Magi," by O. Henry. Both stories are about giving and receiving. Both demonstrate unselfish love, although in different ways. *The Giving Tree* follows a young boy from childhood into old age, and a tree gives him support in various ways while he goes through life. "The Gift of the Magi" is about a young couple so poor that they cannot afford to buy each other gifts. Each ultimately gives up his or her most prized possession out of unconditional love for the other—long, beautiful hair for her, and a pocket watch for him. He sells his pocket watch to buy her a lovely clasp for her beautiful long hair. Ironically, she has cut and sold her hair to buy a gold chain for his watch. After the initial shock, they both seem to find a deeper meaning in the gifts—a meaning that goes beyond the materialistic or physical. The stories are entertaining, but they also raise important questions about why people give.

Economic Concepts and Philanthropy

Several ideas explain the role of philanthropy within the U.S. economic system. Remember, the economic system in the United States is mainly a free market. However, some elements of both command and traditional economies also play important roles. Following are several basic economic concepts that are important in explaining philanthropy.

1. *Scarcity:* Society, as well as individuals, must make choices: we cannot have everything that we want, no matter how rich we are. We sometimes hear people say that the United States "cannot afford" to pay for a public policy such as cleaning up the environment or making highways safer. What those people mean is that we cannot improve the environment and make highways safer and continue doing everything else that we want to do as a country with the funds we have to spend. Funds, or resources, are limited, which is the same as saying they are scarce.

2. *Opportunity cost:* Closely related to scarcity is opportunity cost. Every choice requires giving something up. This is called a lost opportunity. This loss is true even when the resources used were donated. In the case of the professional person donating time for community cleanup, the opportunity cost to both the person and to society is the lost output of their professional services. The value of the work was $75 per hour, which is what society was willing to pay for the professional person's work. Volunteer work does have a cost to society. Thinking in economic terms, both the professional person and a nonprofit organization would be better off if the professional donated $75 cash instead of an hour's work. The nonprofit could then hire perhaps five or six hours of a worker's time with the cash contribution.

3. *Efficiency:* Efficiency is defined as getting the greatest value from a set of resources. This occurs when resources are not wasted in poor production techniques or in producing the wrong things.

4. *Comparative advantage:* Comparative advantage occurs when one person or region can produce a good or service at a lower opportunity cost than another. The professional person in the opportunity cost example has a comparative advantage at their professional work, but not at cleanup tasks. Specializing according to comparative advantage leads to efficiency because it increases production of valued services. The professional person's donation of money, for example, provides more hours of cleanup services than if the professional did the cleanup.

5. *Market failure:* Markets do not always perform efficiently. Markets are inefficient when decision-makers do not bear all of the costs, or gain all of the benefits, of their actions. Action by government and nonprofits can sometimes correct for market failures. For example, education has benefits outside the market system for people other than the students (the consumers in economic terms). It is widely accepted that better educated citizens make better political decisions, commit fewer crimes, and contribute in many other ways. Those contributions do not always return financial rewards to the individual. Similarly, a person who imposes costs on others, such as driving a car that gives off oil fumes, does not take those costs into account when oil is regularly added to the engine. The cost of the pollution to society will be realized only when the car's exhaust is monitored and the car's owner is required to repair the car or is fined for pollution.

6. *Public goods:* Public goods are an example of market failure. Public goods are those goods for which it is difficult to prevent nonpayers' use and one person's consumption doesn't interfere with another's. In such cases, the market fails to provide the socially desired level of provision. For example, the benefits one person gets from police protection do not reduce the protection another person receives when the police patrol through the neighborhood.

Spending (Cost)	Donations (Benefit)	Marginal Cost (per $100)	Marginal Benefit (per $100)	Net Benefit	Benefit/Cost
$100	$1,000	$100	$1,000	$900	10.0
$200	$1,500	$100	$500	$1,300	7.5

Figure D.23 Example of Marginal Thinking

Therefore, it makes sense for people to share police protection. The question is: How do we pay for this service? If I hire and pay for private security to patrol the street, my neighbors also benefit, even if they refuse to help me pay for it. How can we avoid *free riders* in such a case? Even though we all benefit, no single consumer is willing to pay the cost without others also paying their share. The group agrees to contribute to the common good. Social services such as public health are provided through taxation even though not everyone pays the same amount in taxes.

7. *Thinking at the margin:* This "economic way of thinking" means looking at the *marginal cost* and *marginal benefit* in making any decision. Efficiency (getting the most from our scarce resources) requires that we increase production of any good or service whenever marginal benefit exceeds marginal cost, stopping when the two marginal values are equal. This principle is true for individuals, organizations, and societies. Consider the case of a nonprofit fundraising campaign that can spend nothing, $100, or $200 with returns given in Figure D.23.

Marginal cost is the additional cost associated with the production or consumption of an additional unit of a good or service.

Marginal benefit is the additional value associated with the production or consumption of an additional unit of a good or service.

Thinking on the margin will lead you to the correct solution—the charity should spend $200 because the marginal benefit of the second $100 is greater than its marginal cost. This is in contrast to the benefit/cost ratio, which wrongly suggests the charity should only spend $100.

Nonprofit Organizations Compared With Business and Government

Economic concepts are used everyday by decision-makers in *nonprofit organizations, government agencies,* and *for profit businesses.* How are the decisions made in those three types of organizations similar? How are those decisions different? Nonprofit organizations make some economic decisions that are similar to those made in government agencies and others that are similar to decisions in for-profit businesses.

Both nonprofit and for-profit business organizations must do several things. Both must pay their bills for operating, such as rent, employees' wages, telephone, office equipment, etc. Neither can deficit spend or raise taxes like government. Finally, both are managed by private citizens rather than public officials. However, nonprofits differ from for-profits in two ways. First, for-profit businesses are expected to increase in value over time, unlike nonprofits. Second, nonprofits receive donations and grants, unlike for-profits.

Like governmental organizations, nonprofits have a public or collective mission. Neither government agencies nor nonprofit organizations can legally distribute any surplus funds or profits to their owners or managers.

Government treats nonprofit and for-profit organizations differently. Nonprofit organizations are exempt from many taxes that for-profit organizations must pay. Government subsidizes donations to many nonprofit organizations by offering tax breaks to donors.

Key Terms

A *Nonprofit Organization* is one that cannot distribute any financial surplus to stockholders, board members, or anyone else that controls the organization. Rather, surpluses must be used for expanding services, reducing prices, or making grants to other nonprofit organizations.

A *For-Profit Business* is an organization with private owners that have the right to keep any financial surpluses (profits) generated by the organization.

A *Government Agency* is an organization owned by the public and its elected representatives. Elected officials are prohibited from receiving the agency's financial surpluses, which must be used for expanding government, reducing taxes, or reducing the deficit.

The nonprofit part of the economy of the United States provides between 5 and 10 percent of the country's economic output and employment. The exact size of the nonprofit sector is difficult to measure because of the hidden costs. Those costs include the use of volunteers, and the true value of donated time, services, and equipment is difficult to determine. Nonprofits are nearly the only providers of some services (such as houses of worship or symphony orchestras). In other areas (including hospitals and nursing homes), nonprofits provide the majority of services, in competition with for-profit firms and government agencies. In still other areas (day care or higher education), nonprofits provide a substantial minority share of services.

The degree to which nonprofits interact with other sectors of the economy is striking. Often, nonprofits deliver public services paid for by government. For example, Meals on Wheels delivers cooked food to people who would have trouble cooking for themselves. The program is paid for by government, but nonprofit workers and volunteers do the cooking and deliver the meals.

For-profit and nonprofit organizations also work together at times. For-profit businesses donate money, products, and expertise to nonprofits. Sometimes they work as partners. For example, for-profit banks and nonprofit charities form partnerships to provide low-income housing opportunities. Nonprofit universities and for-profit firms form partnerships to research, develop, and deliver new medicines or new computing technologies. Finally, for-profits outsource some of the services they provide for their employees to nonprofit organizations. For example, nonprofits may provide employees with training programs, family counseling, and day care services for their children. In short, nonprofits are highly interdependent with the government and business sectors.

Nonprofits in the U.S. Economy

Clearly, nonprofits are an important part of the mixed market economy in the United States. Nonprofits serve a valuable role in two ways. First, they are an efficient way to make goods and services available that are under-provided by the market and government. This is the *public goods theory* of the role of the nonprofit sector. Second, they are more trustworthy than for-profits about some matters that cannot easily be written into a contract, the *contract failure theory* of nonprofits.

Government agencies provide public goods whenever there is sufficient political agreement about the amount to spend and the way to spend it. Those who hold a point of view different from the majority opinion can work together through nonprofits to achieve their goals. Thus, the public goods theory asserts that nonprofits are a response to diversity of opinion, to causes that are very important to specific groups but not to a majority of the population. Parochial schools that provide a religious alternative to public schools are a good example of how nonprofits respond to diversity.

Habitat for Humanity provides another example of public goods theory in action. Habitat uses volunteers to help build housing for low-income people. The volunteers and contributors who support Habitat for Humanity do not think government does enough to provide low-income housing. Because they are unable to persuade voters and lawmakers to spend more public money on this cause, they take matters into their own hands, supporting a private nonprofit alternative. Similarly, contributors to the *Nature Conservancy,* which buys land to protect it from development, seem to desire more wilderness areas than the typical taxpayer or consumer is willing to pay to protect. In such cases, it is not possible to reach an agreement needed for government to take action. When government does not or cannot address an issue, individuals can work together through nonprofits to achieve their goals.

Sometimes, an idea is too new to attract widespread public support, and then nonprofits may be the pioneers. This was the case for pre-Kindergarten educational programs for disadvantaged youths. Nonprofits proved the concept, and the government took over later. This is where *Head Start* programs came from.

Nonprofits rely mainly on volunteer workers. This fact suggests that there are subgroups of the population in the

Key Terms

The *Public Goods Theory* of the role of nonprofit organizations states that nonprofits correct market failures that result in the underprovision of public goods. Government also provides public goods, but only to the extent there is a political will to do so. Citizens support nonprofits by donating and volunteering when they are dissatisfied with the quality or quantity of government provision.

Contract Failure Theory states that nonprofits are more trustworthy than for-profits about some hard-to-observe aspects of product quality. When quality cannot be observed easily, guarantees and contract terms about quality cannot be enforced. This means for-profits have the motive and opportunity to shortchange the consumer. Nonprofits lack the profit motive to shortchange customers, and so are more trustworthy.

United States that put a high value on services not provided by the business or government sectors. Staff members at nonprofits tend to work for less than those who do the same job in business and government. This suggests that they work not just for financial gain, but for the satisfaction achieved by working toward the nonprofit's mission.

Finally, nonprofit community groups can provide a mix of services that varies from community to community. Locally, people may want to choose where they live knowing which community services are available. A new resident may refer to a telephone directory to locate where particular services are available. Maps of health care providers, Goodwill stores, libraries with volunteer reading programs, etc. may be important and helpful to individuals. Knowledge of the location of nonprofit services relative to where one lives in the state, county, community, and neighborhood may prove to be important to individuals who want to give as well as those in need of services. That important relationship is discussed and analyzed in Chapter 3, "Geography of Philanthropy."

Contract Failure Theory

Contract failure theory suggests that nonprofits arise in situations where trust is important, for example where the customer is vulnerable and cannot speak up for himself such as nursing homes or child care. The contract failure theory asserts that for-profit firms have both the motive and the opportunity not to deliver on their contract with the customer. We don't mean to suggest that for-profit firms always fail to deliver quality to their customers. For-profits can be trusted about many things because they care about their reputation, offer guarantees, and can be sued if they mislead customers about the quality of the services they sell. However, if a firm knows it will never get caught shortchanging customers, there exist economic reasons why cost-saving short cuts might be taken in a situation where a company will not suffer a loss of reputation, customers won't ask for their money back, and nobody will sue the firm. Contract failure applies to cases where the quantity or quality of the product cannot be objectively verified so those who cut corners will not be caught. It is called contract failure because one cannot write an enforceable contract regarding matters that can't be observed.

In a hypothetical example, it is hard to know whether a nursing home is properly administering sedatives to its residents. Some residents genuinely need sedatives for medical reasons, but it is not obvious to the outside observer whether sedatives are needed at any given moment. A facility that administered more sedatives than necessary would need less staff to provide recreational opportunities and to supervise residents' care. With lower costs, a facility that used more sedatives than necessary would have higher profits than their more trustworthy competitors. The owners of for-profit firms get to keep these profits, and this could tempt them to change how they deliver service. Nonprofit owners do not keep the surplus, so, according to contract failure theory, they may be less likely to cut corners in this way.

Contract failure matters for private consumers, insurers, and government agencies. When the government pays a private agency to provide foster care and adoption placements for orphans, it would like the children to be well cared for. It wants children placed with the most compatible families. These aspects of quality cannot be written into contracts in any meaningful way, so the government might prefer to work with a nonprofit foster care agency. Similarly, when the government or a private insurer pays for medical care, billing procedures are so complex that it is hard to be sure there is no overbilling. For this reason, governments and private insurance companies may prefer to do business with nonprofit health care providers.

Contract failure theory is controversial for three reasons. First, nonprofits have other, nonfinancial reasons to cut corners in serving their customers and donors in some cases. Second, it is hard to enforce the nondistribution of profits, so that some organizations pretending to be nonprofit may actually be for-profit. Third, for-profit hospitals, day care centers, and nursing homes continue to prosper despite competition from supposedly more honest nonprofits. Nonetheless, contract failure theory remains a popular explanation of the role that nonprofits actually play (or should play) in our mixed economy.

The Future of Nonprofits in the United States

Although fairly small compared to the government and business sectors, the nonprofit sector is growing in importance and is even dominant in some industries. This trend is likely to continue, as businesses and government look for additional ways to increase efficiency. Each of the sectors will continue to specialize according to their comparative advantage. As they specialize, they will have all the more reason to partner with nonprofits that bring a different mix of specialized skills to their projects.

Economic and financial considerations are important when government and for-profit businesses consider working with nonprofit organizations. In some cases the advantages are obvious. Nonprofits may have expertise in providing home care services; government health agencies may not have the specifically trained professionals required to provide this service. Providing these services through private business would cost more since nonprofits have volunteers to do many of the necessary jobs. The economics of nonprofits enable them to work closely with both government and for-profit organizations in achieving their goal within a community.

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