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& Democracy:
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Welcome

*We've GOT to make noises
in greater amounts!
So, open your mouth, lad!
For every voice counts!*
—Dr. Seuss
Horton Hears a Who!

D EAR READERS,
This edition of the *Nonprofit Quarterly* is about the connection between nonprofits and democracy. And, because I am a simple-minded individual, when I think about democracy in all its complexity it always takes me back for a split second to Dr. Seuss's *Horton Hears a Who!*—because, as you will remember, it took every last small voice yelling to make Whoville heard.

Boy, ain't that the truth! As I write this, one of the women from Pussy Riot, the feminist punk-rock band that in February engaged in a political protest against the Russian Orthodox Church's influence on elections, won an appeal and will be released—but the other two band members will serve out their two-year sentences. Twenty-four-year-old Maria Alyokhina promised that, even if sent to a penal colony, they would continue to speak out.

One of my favorite articles in this edition, by Chao Guo, Jun Xu, David Horton Smith, and Zhibin Zhang, is a snapshot of China's organizational scene—a scene that is to a large extent divided between those who won't trade social independence for government concessions and those who will. The article, such a calm description of a scenario rife with inherent, profound drama, also picks up on a theme that I have heard repeatedly abroad—that of a distinction drawn between NGOs that are primarily contractors for services and NGOs that represent and embody the efforts of citizens taking action together. It is a useful frame to keep in mind as you consider the degree to which your organization is and could be a facilitator of people as they seek to preserve, or remake, or make just, or enliven the world around them.

I have suggested in the framing article—"Use It or Lose It: Frittering Away Civil Society's Strategic Advantage"—that acting as a co-creator of the future with your constituents gives you power and influence that extends well beyond strict institutional borders. This theme has been picked up by George Pillsbury, who, in his article on nonprofits and voter engagement, talks about how "nonprofits' inherent civic engagement assets make them a potent force for political and electoral engagement," and by Marcia Avner and Laura Wang, who offer strategies for insulating nonprofits that engage in legislative conversations from charges of partisanship in the current polarized political environment. For, as they rightly insist, "Having a voice in policy debates is essential to the work done by many organizations."

You are likely receiving this edition just as the presidential vote is occurring. We urge you, no matter what happens, to think carefully about how your organization can get involved in democratic action, because we are in the midst of an era change that will require each of us Whos to yell forth:

"We are here! We are here! We are here! We are here!"

Use It or Lose It:
Frittering Away Civil Society's Strategic Advantage

by Ruth McCambridge

How are nonprofits positioned to influence the world's future? Are we mostly bystanders or do we see ourselves as powerful facilitators of change? While many of us waste time wishing we were more like businesses, we are letting our natural muscle—constituent engagement—atrophy from disuse and a lack of embrace. And businesses, ironically, are trying to develop this very same muscle.

How should healthcare be reorganized? How should the economy be reorganized? How should journalism and food systems be reorganized? Nonprofits could and probably should be a dominant voice responding to the challenges of our new knowledge economy. Why? Because our tradition of mobilizing people to work together for shared value and of working noncompetitively in networks or value chains matches well the ascending modes of productive endeavor throughout our economy. These traditions comprise elements of a significant strategic advantage for nonprofits doing the work of society. But this advantage is not God-given or perpetual—it requires focus, constant development, and a serious emphasis on mutual benefit and the common good. I ask readers to take this paper in the spirit it is written, as a partially-formed collection of thoughts—a provocation that can be much improved upon.

Strategic Advantage? How Does This Apply to a Nonprofit?

Simply put, a strategic advantage is anything that makes you more successful than others at what

RUTH MCCAMBRIDGE is the *Nonprofit Quarterly*'s editor in chief.

you do in your chosen space. An organization can achieve such an advantage through developing "an attribute or combination of attributes that allows it to outperform its competitors."[1] This article is about how nonprofits have significant strategic advantage but are functionally blind to it because they don't recognize or use it. This blindness could cause the civil sector to lose its opportunity to become more influential in the world's future. Even in this country we are seen as the least dominant of the three sectors, but that may be because many nonprofits have parked their power in the attic, where it is gathering dust and atrophying from disuse.

After decades of discourse about how nonprofits need to be more businesslike, I am driven to discuss the differences structurally and in more detail. The admonition to be more like a business is a preposterous proposition—ill informed and exhibiting a sloppy state of mind that tries to draw us all off track to a space of unaccountability. *Don't fall for it.* For goodness' sake—if you want to act like a business, be a business! The major distinguishing factor of a business is its ability to build the wealth of individual owners rather than build collective well-being and value. Decide which bottom line you are dedicated to, and make it your own.

The fact is that while we have been wasting time looking in other directions—having been admonished away from our native DNA—business theorists have been noting that what we as nonprofits have in our tradition of association and collective endeavor is what this next era of value-producing enterprise needs. Just to put some of the underlying precepts away, being a nonprofit does not equate to financial and managerial incompetence, and being a business does not guarantee efficiency or results. There are lots of badly run businesses—probably in sheer numbers many times more than there are badly run nonprofits. Do most people care that they are badly run? Not really, if they have choices in the market. And, in theory, the only reason why we should care if a nonprofit is badly run is because it gets subsidized by us. But wait—does this assume that businesses are not subsidized? Of course, we know that they are and that some of them—even

while being very well subsidized by our government—have gone ahead and violated the trust of their stakeholders profoundly.

What I would like to propose is that we think differently about all of this. There is more that is alike about for-profit and nonprofit organizations than is different, but there are core differences in our traditions and purpose that could constitute a strategic advantage for many nonprofits—if we claimed them. We should be making those distinguishing characteristics work for us in a more conscious and powerful way, because we are looking at a world that needs a different dominant paradigm than one that judges success by how much money we can make—the future of our grandchildren be damned!

Co-creation and Democracy: A Natural Link

In *The Future of Competition: Co-Creating Unique Value with Customers*,[2] C. K. Prahalad, one of the more influential management thinkers of the past generation or two, and Venkatram Ramaswamy held that the traditional relationship between firms and consumers was becoming obsolete. It was being replaced by a system whereby companies engage their publics in a more personal way to "co-shape the future" of the enterprise and craft the experience of the encounters. The authors say this causes tension at every point of intersection. It sometimes gets uncomfortable and messy—like democracy. It also produces innovation and tailoring, and works against the alienation of customers. Some businesses already clearly understand these interactions as a distinguishing core of their business models.

Nonprofits could have an enormous advantage in attracting people to this paradigm, because our ability to appeal to common cause and individual aspiration through activity aimed explicitly at common benefit is a natural magnet for engaging the energy of stakeholders. (The caveat is that this is true only if you view those stakeholders' energy and intelligence as more valuable than rubies.) We also have in our midst community-organizing skills, and these are useful in thinking about how to help communities organize themselves to get things done.

Working the Concept of Reciprocity

Another advantage that nonprofits ought to be availing themselves of is our stakeholders' unpaid/volunteer labor. This is an advantage of some enormity. Wikipedia would not exist without it. Even though people might love to tweet about the latest burger at a fast-food emporium—and that is, in fact, unpaid labor in the marketing arena—they are less likely to be willing to work at a counter for free. Nonprofits can use volunteers in any number of roles in which they are currently using paid staff—allowing for streamlining of some sorts of operations or expansion without unbearable cost. This advantage is, of course, linked to other resources that add to sustainability and effectiveness. In particular, happy volunteers in an agency lead to more traction in fundraising from stakeholders.

But let's go back to cost containment for a minute—cost of operations is obviously a consideration of great import for a business or a nonprofit. If we knew that we could contain personnel costs—which is the largest cost category for many nonprofits—through approaching the engagement of supporters in a more active way, why would we not fully explore it? Yet many nonprofits do not have an active "volunteer" program that is part and parcel of their business model. And the word *volunteer* does not even do justice to the leadership and risks that have been and are daily taken by individuals in this sector who feel passionately enough about a cause to put their hands to it.

The ties that bind, of course, are shared values and a collective aspiration, whether they be short- or long-term. Again, the principle is not exclusive to nonprofits; the authors of a 2003 paper, "Focusing on Value: Reconciling Corporate Social Responsibility, Sustainability and a Stakeholder Approach in a Network World,"[3] write, "long-standing assumptions about how to maximize the effectiveness of a firm (as measured by traditional metrics such as profits or economic value added) have been tempered by the novel recognition—at least in some quarters—that in certain circumstances the creation of communities and social networks *united by a common sense of what is valuable* is a pre-requisite to economic pay-off."

Wolfgang Grassl takes this on explicitly in his paper "Hybrid Forms of Business: The Logic of Gift in the Commercial World."[4] Though based on papal teachings and aimed at informing social enterprise design, it advocates for a "logic of gift" in economic activity, and that logic is based on reciprocity (see figure 1, above). He adds, "Gift-giving is possible in a multiplicity of forms, all of them having the power of building relationships transcending mere exchange." Where equity is the logic of the state and efficiency is the logic of the market, reciprocity, he notes, is the logic of civil society.

But do nonprofits work this logic of reciprocity in the same way that business works the logic of the market? I would suggest not. And we have lost our focus at a time when that focus would be very useful in dominating discussions about global well-being.

Just to take this one step further, some of the writers about the competitive advantage provided by co-creation do remind us that the reciprocity is not between the firm and the stakeholders but between stakeholders using the firm as a vehicle for the outcome they want. This is the contract. As the people in your community network, stakeholders inform and embolden each other to act and speak out. If this scares you, you have a lot of work to do in refitting your organization for the future.

Figure 2 (following page) is a new frame of reference for value creation,[5] as shown in Prahalad and Ramaswamy's aforementioned book *The Future of Competition*, in which they describe

Figure 1: **Dynamics of the "logic of gift"**

Civil society
Reciprocity

LOGIC OF GIFT

COMMERCIAL LOGIC

LOGIC OF THE STATE

Efficiency
Market

Equity
State

As the people in your community network, stakeholders inform and embolden each other to act and speak out. If this scares you, you have a lot of work to do in refitting your organization for the future.

Figure 2: **The new frame of reference for value creation**
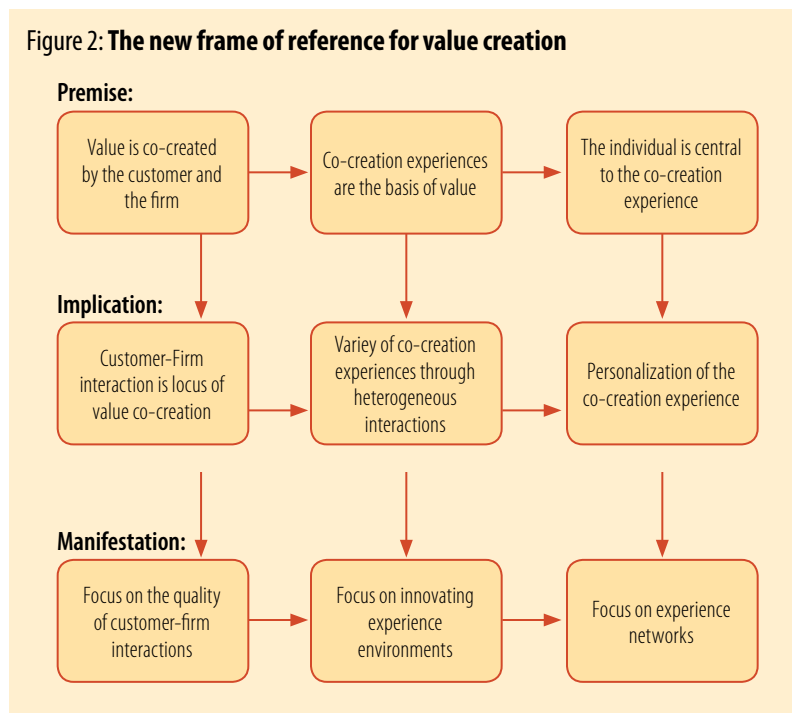
Premise:

| Value is co-created by the customer and the firm | → | Co-creation experiences are the basis of value | → | The individual is central to the co-creation experience |

Implication:

| Customer-Firm interaction is locus of value co-creation | → | Variey of co-creation experiences through heterogeneous interactions | → | Personalization of the co-creation experience |

Manifestation:

| Focus on the quality of customer-firm interactions | → | Focus on innovating experience environments | → | Focus on experience networks |

> **We have seen over and over again nonprofits that do not think they need to check in with their own passionate enthusiasts when they get ready to make decisions that people might care about.**

the "building blocks of co-creation" as *dialogue, access, risk assessment*, and *transparency*. Each of these must be committed to and experimented with to produce a new core set of daily habits. We liked an example the authors advanced of the use of dialogue and access in the world of entertainment: "To promote the mega-hit movie *Lord of the Rings: The Fellowship of the Ring* New Line Cinema reached out to the more than 400 unofficial fan Web sites, giving them insider tips, seeking their feedback on the details of the movie and offering them access to the production team." Tolkien's literature is known for its passionate enthusiasts, so this could not have been a wiser move. It made stakeholders feel "a part of it" and it engaged their intelligence on development, but we have seen over and over again nonprofits that do not think they need to check in with their own passionate enthusiasts when they get ready to make decisions that people might care about. This is what causes stakeholders to become dispassionate, disengaged, or even so angry they publicly take the enterprise to task.

But why might the fit between the co-creation idea and the business sector be more awkward than with the nonprofit sector? Because, although this kind of crowdsourcing does engage those who make use of it and then guide the organization

in tailoring a product to them—thus building their loyalty to the product as ambassadors—the financial value of the outreach does accrue to the producer and not to the network. (There may be additional allegiance to be gained in a system that allows co-creators to share in the financial return of an enterprise, as well.)

Relationships and Networks

The F. B. Heron Foundation's statement on its website, headlined "The World Has Changed and So Must We," is a striking one.[6] Heron is focused on the economy, like many others, but declares that it must be addressed unconventionally. "We must acknowledge the need to rebalance the economy *itself* so it can deliver value on America's traditional promise: full livelihood, democracy and opportunity for all. Investing in the building blocks of that economy and assuring the basics of entry is a critical responsibility, not only of philanthropic institutions and government, but of banks and businesses. We believe we can realize an economic vision for a more universally prosperous society, one that supports democratic pluralism and civic vibrancy, provides dependable work for adequate pay, protects the most vulnerable, and competes successfully globally." Big ideas, but how might we as local entities really take such stuff on seriously? We think that it is through deep local engagement and network development.

Some of the literature we read regarding co-creation takes on the aggregate value of one's own immediate network—and the networks associated with them—as an extended resource base that allows ideas to come to fruition. A paper discussing Corbin Hill Road Farm Share, a hybrid food value chain, describes pretty succinctly what the nonprofits in the chain brought to the table:

> Nonprofits bring to the value chain social capital that comes from the networks, mutual goals, trust, and beliefs that nonprofit organizations share with their members and stakeholders. This social capital, the ability to engage community members, raise funds, disseminate information, and reduce transaction costs, has significant financial value.

Nonprofits can help companies to aggregate and channel demand, lowering transaction costs. Their staff members often have organizing skills that enable them to reach out to and attract customers. Nonprofit partners may provide critical insights into the needs and constraints of low-income consumers . . . and through this knowledge can help in the maintenance of a customer base. Nonprofits also tend to be located within the communities they serve and so have a first-hand understanding of the logistical issues associated with local business development.[7]

Hybrid food value chains, state the paper's authors, function through co-creation of value accruing fairly to the interests of all. Anyone who has worked in this sector knows that this is all hard stuff. But when you do not take seriously the fact that the negotiation of relationships will be filled with tension, energy, and possibility—as well as pain—you have bowed out of the twenty-first century.

Relational Value—Not the Soft Stuff, the Hard Stuff

Okay, so those are the risks if you do not engage your stakeholders deeply in the development and implementation of the organization's work, but how are we to understand the benefits quantifiably? The authors of a 2010 paper, "Undervalued or Overvalued Customers: Capturing Total Customer Engagement Value,"[8] suggest four ways to determine the value of one engaged customer:

1. Lifetime value in terms of transactions;
2. Referral value;
3. Influencer value; and
4. Knowledge value.

(We would actually place the second and third, as they state it, in one category, and add "Critical mass for offense as well as defense.")

So here is how trust-based, long-standing relationships would add value to civil society organizations over time within these categories:

Lifetime value in terms of transactions. This would include donations of cash and time as well as fees paid directly or indirectly because of that individual's participation.

> But when you do not take seriously the fact that the negotiation of relationships will be filled with tension, energy, and possibility—as well as pain—you have bowed out of the twenty-first century.

Referral/influencer value. This would include the person's willingness to carry the message of the organization and attract others to the community that both fuels and benefits from it. It also includes influencing other resource points, like foundations or government. It may include policy advocacy of one kind or another and attachment of other networks with which the person is involved—and, by extension, with which people in those networks are involved.

Knowledge value. This would include the person's observations about the context in which you are working, the direction you are taking, and other information that may be challenging—even disruptive—or otherwise useful.

Critical mass for offense as well as defense. This would include making the community heard if the effort is pursuing a non-dominant strategy or point of view, or if it is attacked politically or otherwise—but again, this is deployable only if your community is convinced that you are acting with integrity and transparency. (Think Planned Parenthood vs. Komen.) The extension power of this type of system can be mobilized quickly through so-called value-based networks. This integrity and transparency thing is a difficult standard to bear, but perhaps less difficult than secrecy and a lack of accessibility—especially if you are supposed to be working for the benefit of the public.

Building the relationship between your effort and community does not happen en masse anymore unless you have a monopoly of some kind; nor is it a single transaction, as in something offered and accepted that leads to a loyal relationship. Maintaining a community that keeps giving requires interaction where what you are doing is continually tested for its responsiveness and fit. If you can turn this corner out of the organization-centric dead zone, it will lead to collaborative action and eventual transformation of practice.

Babies Claiming Neglected Birthrights

Some organizations, of course, have been founded in the new image. David Karpf discusses a few of them in his new book, *The MoveOn Effect*,[9] in which he contrasts the large, expensive, professional political-advocacy organizations that were the standard a decade ago with some of the current smaller, nimble, but powerful online-based advocacy groups with "absurdly" small budgets by comparison. These groups sometimes only provide the infrastructure for their values-convened community members to take action. Karpf is clear that one is not a replacement for some of the activities of the other, as in litigation; but the long-standing rift between national advocacy groups and the communities that they are supposed to represent can no longer be bypassed with enough checkbook members with overstuffed wallets. It is a different and disrupted accountability environment for national advocacy organizations, and it promises to become only more so.

The Role of Trust and Credibility

Don't be dishonest with your constituents, because it will preclude your being this new, superfueled type of organization. Don't promise them things that you can't deliver. Be clear about how you make decisions that affect their experience of the community and the organization, and on what basis they are made. Your brand is no longer what you decide will be presented to the public; it is the public's experience of you, drawn from multiple interactions during which you are tested and from other reports from members of the community.

So the brand now exists in the interaction or, more measurable, in how well your community can express who/what/how you are to them and the world and the issue on which you work. Many nonprofits are blessed with a halo effect as a mission- rather than profit-focused organization, but that also means (1) a fall from grace may be a fall from a greater height than your own behavior called for in the first place, and that can be a shock; and (2) a violation of trust will hurt other civil society organizations around you, and your networks will be disrupted. People won't necessarily want to be seen with you, and this puts you in a serious social capital deficit.

Changing of the Guard: Why Is This Shift So Hard for Some?

Prahalad and Ramaswamy, while recognizing that co-creation was the wave of the future, assumed that there would be many firms that would not

be able to make this shift because they would be unable to come to terms with the ways in which it challenged the traditional roles of purveyor and consumer. They acknowledged the tension that is created in a new, more open system:

> The disconnect between consumer think and company think is not new. However, as we move toward co-creation, this disconnect becomes more pronounced at *points of interaction*, those intersections where choice is exercised and the consumer interacts with the firm to create an experience. . . . Managing the co-creation of unique value demands a new capability: the ability for managers to relate to consumer interactions with the experience network. Managers must increasingly experience and understand the business as consumers do, and not merely as an abstraction of numbers and charts. To co-create value effectively, managers must also have the capacity for agility. Agility is the ability to act fast—to improve the cycle time for managerial action.

And those characteristics must become core management tenets, because "agility depends above all on the readiness of the line managers to respond quickly to changes on demand."

In Conclusion

The advantages of being community based are more cheaply had than ever before. They can be more quickly and dramatically used, and they promise more influence and effectiveness and reach than ever. But they can only be had with personal commitment to their value.

The investment is in the faith placed in those with whom you are in common cause. The integrity with which you approach that relationship is your coin of the realm—it buys you more confidence, donated labor, intellectual contributions, and ambassadors than the other two sectors. The investment is far from transactional but there is give and take—with trust flowing in both directions. Promise and don't deliver, contract to listen but remain deaf, refuse to share decision making and violate your stakeholders' sensibilities with

no, or a weak, explanation, and you are headed into bankruptcy as a nonprofit—you have relinquished your advantage and distinction. In short, we are re-approaching our nonprofit traditions as nodes of democratic activity when it seems like the reins of our communities' futures have slipped from our individual hands. And that is a position with powerful potential for success or failure, but the outcome will be of your choosing.

NOTES

1. Definition of Michael Porter's theory on competitive advantage, en.wikipedia.org/wiki/Competitive_advantage.

2. C. K. Prahalad and Venkatram Ramaswamy, *The Future of Competition: Co-Creating Unique Value with Customers* (Boston: Harvard Business Press Books, 2004).

3. David Wheeler, Barry Colbert, and R. Edward Freeman, "Focusing on Value: Reconciling Corporate Social Responsibility, Sustainability and a Stakeholder Approach in a Network World," *Journal of General Management* 28, no. 3 (Spring 2003): 1–28.

4. Wolfgang Grassl, "Hybrid Forms of Business: The Logic of Gift in the Commercial World," *Journal of Business Ethics* 100, supp. 1 (2011): 109–123.

5. This graphic was reprinted with permission from Venkatram Ramaswamy.

6. "The World Has Changed and So Must We: A New Approach," the F. B. Heron Foundation, www.fbheron.org.

7. Nevin Cohen and Dennis Derryck, "Corbin Hill Road Farm Share: A Hybrid Food Value Chain in Practice," *Journal of Agriculture, Food Systems, and Community Development* 1, no. 4 (Spring-Summer 2011), 87. Copyright 2011 by New Leaf Associates. Reprinted with permission.

8. V. Kumar et al., "Undervalued or Overvalued Customers: Capturing Total Customer Engagement Value," *Journal of Service Research* 13, no. 3 (August 2010), 297–310, jsr.sagepub.com/content/13/3/297.full.pdf.

9. David Karpf, *The MoveOn Effect: The Unexpected Transformation of American Political Advocacy* (New York: Oxford University Press USA, 2012).

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Promise and don't deliver, contract to listen but remain deaf, refuse to share decision making and violate your stakeholders' sensibilities with no, or a weak, explanation, and you are headed into bankruptcy as a nonprofit. . . .

Serving Democracy:
Nonprofits Promote Voter Engagement in 2012

by George Pillsbury, MPA

Nonprofits have a powerful role to play in voter engagement, and there are a number of ways to get started, with new strategies that allow nonprofits to incorporate voter outreach into their own preexisting activities and services. This article outlines the essential components to nonprofit voter engagement as well as what does and does not work.

NORTHEAST OHIO NEIGHBORHOOD HEALTH Services (NEON) delivers an array of health services—from preventive to specialized care and dental—to more than forty thousand Cleveland area residents. NEON's six centers are part of the nation's network of federally funded community health centers that serve the primary healthcare needs of more than twenty million uninsured and limited-means patients in over eight thousand locations across the United States. This year, for the first time, one of their services is helping patients to register and vote.

GEORGE PILLSBURY, MPA, is founder and executive director of Nonprofit VOTE. Prior to that, George founded and directed MassVOTE, a nonpartisan voter engagement organization in Massachusetts. His work in the fields of philanthropy, social investing, and voter and civic participation spans three decades.
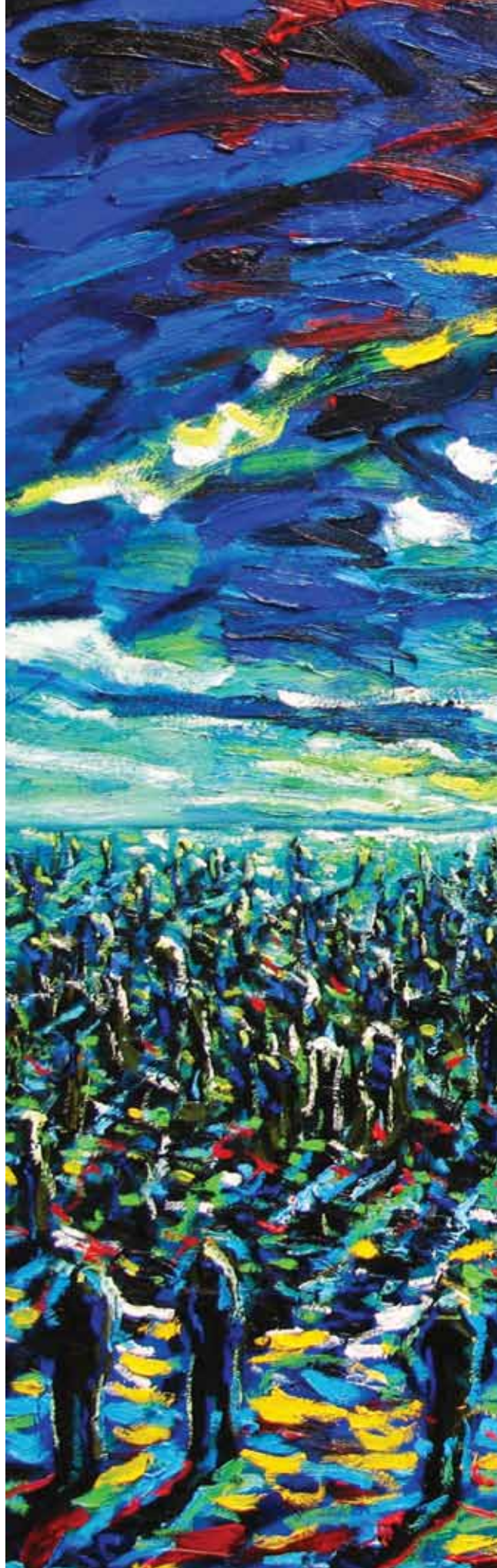
"PEOPLE'S TIME" BY FABIO MESA/WWW.FABIOMESA.COM

NEON sees active civic participation in all its forms—voting, advocacy, community engagement, and more—as another way to improve health outcomes among the people (and the neighborhoods) it serves. When patients come in for a visit or attend one of NEON's community events, the organization uses the opportunity to offer them the chance to register to vote or update their registration. Those with current registrations are being asked to fill out a "pledge to vote" card, and receive follow-up information to help them vote on November 6.

This April, Colorado's Peak Vista Community Health Centers launched a similar campaign, aimed at their sixty-two thousand clinic visitors. The entire enrollment staff received in-depth training on voter registration and the positive measures of health associated with civic engagement. Like NEON, Peak Vista care providers are encouraging everyone coming in for services to register and pledge to vote this fall.

NEON and Peak Vista represent a growing number of service-oriented nonprofits using their civic reach to encourage voter participation. In 2012, both are tracking their activities as part of new research to evaluate the impact of nonprofit service providers who incorporate voter outreach into their services. Can nonprofits play a larger role in closing participation gaps and increasing voting among traditionally underrepresented communities?

Challenges and Opportunities

The participation gaps among communities served by nonprofits were never more evident than in the 2010 election. The census reported that lower-income voters (earning less than $50,000) trailed higher-income voters by twenty points. Young people under thirty voted at half the rate of older voters, with similarly low voting rates among Latino and recent immigrant populations.[1]

These participation gaps challenge the mission of nonprofits and diminish the voice of both the organizations and the communities they serve and engage. Elected officials are less likely to visit, campaign in, or respond to low-voting communities. Nonprofits that remain on the sidelines of formal politics and whose constituents don't vote have less access after the election to officeholders and government leaders.

For the individuals whose lives nonprofits strive to improve, nonparticipation means missing out on the benefits of engagement in the political process. People who register and vote are more likely to talk to their neighbors, meet with local officials, and engage in other civic actions.[2] Studies show that states with higher voting levels have, among other attributes, higher levels of self-reported health,[3] lower ex-offender recidivism rates,[4] and even lower unemployment.[5]

Nonprofits of the 501(c)(3) variety are presumed to have a limited capacity for promoting political participation because laws prohibit them from engaging in partisan politics to support or oppose a candidate for public office. Yet nonprofits' inherent civic engagement assets make them a potent force for political and electoral engagement, further strengthened by their nonpartisan approach. For instance:

- Nonprofits are among the nation's most trusted messengers. An annual Harris poll consistently ranks nonprofits among the few sectors (small businesses are another) that respondents would like to have *more* rather than *less* influence in government;[6]

- The civic reach of the nonprofit sector is unparalleled, with its several-hundred-thousand active community-based nonprofits with over ten million employees and sixty-one million volunteers serving more than one-hundred and fifty million Americans annually; and (above all)

- Nonprofits have the kind of daily in-person contact with the potential voting public unavailable to partisan campaigns.

Outside of a small number of advocacy organizations, nonprofits have been underachievers in their civic mission vis-à-vis the realm of political participation. In elections, nonprofits misinterpret the prohibition against partisan political activity to mean no activity at all. Voter participation efforts have become more professionalized. Those advocacy nonprofits that engage in elections have increasingly adopted a campaign model with expensive field operations and highly targeted door-to-door and phone programs, neither

one of which is a good fit for the rest of the sector. Even if interested in increasing their civic engagement, the majority of community-based nonprofits, service providers, and the like have lacked the guidance and models to do so.

A New Approach

In 2012, a rapidly increasing number of nonprofit service providers like NEON and Peak Vista are adopting a newer model of voter engagement based on their built-in engagement assets and connection to underrepresented populations. Instead of the campaign approach that uses voter lists to contact voters at home, theirs is an agency- or community-based approach, taking place with people whom nonprofits interact with every day. It's like a reverse door-knocking—an engaging of people coming through *their* doors. The agency-based voter-engagement approach is:

- **Integrated and less expensive.** It is integrated into preexisting services and activities without adding a new program.
- **More personal and trusted.** It uses the personal contacts nonprofits already have at points of service, classes, trainings, meetings, and neighborhood activities. It occurs at a place people trust and with people they know.
- **Varied and scalable.** There's no one agency-based engagement model. Every nonprofit takes its own approach based on its services, interests, and capacity.
- **Mission-, issue-, and community-based.** Voter engagement taking place on-site at a nonprofit ties elections more directly to the social mission of the organization, the issues it cares about, and the community it serves.
- **Year-round.** Nonprofits are community institutions with deep roots in their service areas and that interact with their constituents all year long. For service providers promoting voter participation, it's part of a year-round civic engagement commitment that continues after Election Day.

Nonprofit Voter Engagement on the Rise

The spread of agency-based voter engagement is propelled by the growth in state and national nonprofit networks encouraging their affiliates to incorporate nonpartisan election engagement activities into their programming, as well as the rise in local nonprofits taking this approach. A dramatic increase in activity at Nonprofit VOTE is both a bellwether and a window into this trend.

Nonprofit VOTE partners with America's non-profits to help the people it serves participate and vote. It provides nonpartisan resources, training, and tools to help nonprofits integrate voter engagement into their ongoing activities and services. In the last six months, Nonprofit VOTE has tripled its partnerships with such national nonprofit networks as Lutheran Services in America, Feeding America, the Boys & Girls Clubs of America, and Goodwill Industries. State nonprofit associations in more than half the states have signed on to promote the work and the model to their members.[7] More networks have created branded voter-engagement initiatives as part of their public policy programs, which ten years ago only existed in Minnesota and Massachusetts, among a few other places.[8]

The Arc, a national network for people with developmental disabilities, launched a We've Got the Power: Vote in 2012 campaign to mobilize its seven hundred chapters. The YWCA set up a dedicated website with election resources for its affiliates under the banner "Your Voice—Your Vote—Your Future" to better incorporate voter outreach into their activities. The National Association of Community Health Centers (NACHC) has expanded its signature Community Health Vote program among its fifty-state network of 1,100 health centers. At the midpoint of 2012, more than three hundred health centers had signed on—nearly twice the number in 2008. NACHC has made civic engagement a year-round priority, and Community Health Vote is just one part of NACHC's ongoing efforts to connect civic participation and health, promote self-advocacy skills for its patients, and raise the visibility of community health centers as valued assets to their communities.

Nine states—Arizona, California, Colorado, Louisiana, Massachusetts, Michigan, Minnesota, North Carolina, and Ohio—have new or more-broadly-based voter-engagement initiatives as part of the public-policy programs at state or regional nonprofit associations. The Protecting Arizona's Family Coalition—a statewide network

In 2012, a rapidly increasing number of nonprofit service providers . . . are adopting a newer model of voter engagement based on their built-in engagement assets and connection to underrepresented populations.

of health and human service organizations—and the Alliance of Arizona Nonprofits are providing regular voter engagement training for the state's nonprofits. Local Colorado foundations have supported the newly formed Colorado Participation Project to assist nonprofits in adopting and implementing the agency-based approach to voter and civic engagement. The California Association of Nonprofits—CalNonprofits—has taken a different approach. It rolled out a Vote with Your Mission campaign aimed at having 100 percent of eligible nonprofit staff, board members, and volunteers vote. The campaign was done in recognition that staff and volunteers are far more likely to encourage voter participation among their service population if they themselves are registered and voting. Vote with Your Mission promotes a values-based approach to voting that ties participation with the nonprofit's issues and mission.

In tandem, and as a consequence of increased voter engagement by state and national partners, Nonprofit VOTE is tracking a sharp increase in the more than seven thousand local nonprofits accessing its resources, ordering tool kits, and getting trained in how to incorporate nonpartisan election participation activities into their programs and services. The growth is spread across all fifty states and visible in every type of nonprofit: community action programs; family and children services; disability agencies; neighborhood centers; immigrant-serving organizations; health clinics; food banks; job training and literacy programs; and more.

New Research

Recent voter-mobilization research underscores the potential added value of nonprofits using their civic reach to encourage voter participation. The most well-known is the work of Donald Green and Alan Gerber, authors of *Get Out the Vote: How to Increase Voter Turnout*.[9] Their 2008 book distills a decade of over one hundred research experiments examining political mobilization by partisan and nonpartisan organizations by phone, mail, door-to-door canvassing, and paid media. The factor that proved by far the strongest across all the experiments was personal contact from a peer or someone a person knows. A landmark study by the James Irvine Foundation, which evaluated

voter mobilization by nine prominent community-based organizations in California between 2006 and 2009, reached the same conclusion. The three-year study, called *New Experiments in Minority Voter Mobilization*, reiterated that the factor most likely to drive voter participation was personal contact by people "from the same local neighborhood" or "personally known to targeted voters."[10]

Through daily personal contact with and trust among the people they serve, nonprofits are woven into the fabric of their communities, making the nonprofit sector, more than any other, a natural fit for any kind of voter or civic mobilization. In contrast, conventional campaign methods don't or aren't able to make personal contact with more than half of the nation's voters, according to the American National Election Studies, which has tracked political engagement in presidential elections for more than fifty years.[11] Even when contact is made, it is often by paid canvassers or volunteers not known to the voter.

Through 2009, almost all voter-mobilization research had focused on traditional field campaigns using voter lists to contact voters at home: at the door, on the phone, or by mail. In 2010, Nonprofit VOTE and the Michigan Nonprofit Association commissioned a study of seven Detroit social service agencies conducting voter engagement. Participants included a community action agency, a Head Start center, a family services program, and local Catholic charities. The providers tracked voter contact with six hundred clients who were divided into treatment groups that were either approached or not approached by the agency about voter registration and voting.[12] The results showed that voters contacted by the agencies were 17 percent more likely to vote than those not contacted. While even one contact made a difference, the likelihood of voter turnout increased with additional contacts. Furthermore, those contacted by their nonprofit were also more likely to talk to their families and friends about the election, a multiplier effect noted before in other research, such as David Nickerson's "Is Voting Contagious? Evidence from Two Field Experiments."[13] Although the data were promising, the sample size of the Detroit study was small and the results preliminary.

In 2012, a much larger cohort of nonprofits have joined new research on the agency-based approach to voter engagement. In fourteen states, 110 service providers are tracking their voter registration and voter engagement activities, with forty to fifty thousand people receiving services at their locations. Supported by the Ford Foundation and Open Society Foundations, the work, which is part experimental and part research evaluation, is coordinated by state partners of Nonprofit VOTE and the Colorado-based Service Providers and Civic Engagement project (SPaCE).

Each participating nonprofit is contacting people it serves in the context of its regular programs about registering to vote and updating their registration, or, if already registered, urging them to sign a card pledging to vote on November 6. Everyone who is contacted receives at least one follow-up by mail, text message, or phone with information about voting in his or her state. After the election, there will be a check of state voter files to see how many of the expected forty to fifty thousand people contacted by their service provider voted. Did contacted voters turn out at higher or lower rates than the average in their county or state? Can we find differences in the mobilization impact by different types of nonprofits or kinds of follow-up? Beyond the data, the efforts of each individual nonprofit will yield a robust set of case studies on the capacity of service providers to integrate voter engagement into their services and strategies.

Lessons Learned

From the research and three cycles of promoting the agency-based voter engagement model, Nonprofit VOTE and its partners have learned a number of lessons about what factors are conducive to nonprofit voter engagement and what does or doesn't work:

- **Buy-in.** Voter engagement at nonprofits takes place when it is a priority for at least one program or frontline staff member who is a point person for the activities. Buy-in from senior staff is also a critical factor. This is reflected in post-election surveys of organizations conducting voter engagement and illustrated by the fact that every group joining our

research efforts did so with support from the executive director.

- **Network support.** Nonprofits are more likely to promote voter engagement when encouraged to do so by national and state nonprofit networks to which they are connected. Health centers have done more to register and educate voters because of repeated messaging from both the national association (NACHC) and state associations of health centers of which they are members. The same has been true in the disability community, where a number of national organizations—the Arc, American Association of People with Disabilities, National Multiple Sclerosis Society, and others—have made access to the voting process a policy priority with a branded program.
- **Mission-driven engagement.** Nonprofits are more likely to incorporate voter participation around elections if civic engagement or advocacy is part of their mission statement.
- **A more-than-just-voter-registration approach.** In the past, voter engagement has been defined mainly as voter registration. This has been problematic for nonprofits that have more limited capacity to conduct voter registration on an ongoing basis. Registration drives can be challenging without trained staffing and good systems for returning forms. Many nonprofits have had better results focusing on other kinds of election activities such as hosting candidate forums, working on ballot measures, or helping and reminding their constituents to vote.
- **Keeping it simple.** Most nonprofits have found that the best strategy for voter engagement is to choose a few targeted activities into which they can incorporate voting—for example, signing up people for a new service or engaging clients during literacy or training classes (or wherever there's a captive audience and time to ask about registering to vote and voting).
- **Staying close to the election but planning ahead.** The other major finding of the Green-Gerber and Irvine Foundation research was that voter mobilization efforts have their greatest impact closer to the registration deadline or election. All social service agencies in the Detroit study conducted their voter engagement

> Most nonprofits have found that the best strategy for voter engagement is to choose a few targeted activities into which they can incorporate voting—for example, signing up people for a new service or engaging clients during literacy or training classes.

in the final two months before the November election. The organizations with the best results had planned their activities and identified staffing ahead of time.

- **Using events.** Events of a civic nature or those directly sponsored by a nonprofit are good for voter outreach. The Massachusetts Immigrant and Refugee Advocacy (MIRA) Coalition registered over a thousand voters in a single day at a new citizen naturalization ceremony. A Los Angeles health center partnered with a local high school to register students at graduation. Nonprofit-sponsored events like walks or open houses have proved to be successful single-day engagement opportunities, too.

- **Benefit-driven approach.** Above all, nonprofits are most likely to undertake voter engagement when they have an understanding of the potential benefits to advancing the issues they care about, services they provide, and greater personal efficacy for their constituents and community.

Conclusion

The trend toward greater political engagement by the nonprofit sector is likely to continue, whether driven by the growing necessity of having a voice in longer-term debates over fiscal policy and the role of government or because of the documented personal and social benefits of civic participation for organizations and the people they serve.

Several factors are in place that could make this trend more sustainable. Nonprofits are incorporating voter engagement not as a separate activity but as part of a year-round, mission-driven strategy of civic participation that includes other forms of advocacy and community engagement. There is growing institutional support for non-partisan voter engagement from sector leaders such as the Independent Sector, National Council of Nonprofits, and a wide range of state and national nonprofit networks. Far more resources exist today than even just a few years ago from nonprofits like Nonprofit VOTE, the Alliance for Justice, and others.

Nonprofits cannot endorse candidates—but they *can* endorse voting. When they do, it has an impact, as illustrated by the social service

agencies in the Detroit study. The broad data on the reach of the sector, its role as a trusted messenger, and recent mobilization research point to the potential of nonprofits as engines of civic participation[14]—in particular, their personal connection to underrepresented populations not reached by partisan political campaigns.

In 2012, nonprofits are seizing upon this potential in two ways. The first is the sheer expansion of nonprofits taking steps to "endorse voting"— promoting voter registration, organizing voter education, getting out the vote, connecting with candidates, taking stands on ballot measures, and the like. The second is a first-of-its-kind large-scale evaluation of the voter-engagement efforts of over one hundred nonprofit service providers of all types and geographies. Through case studies, the research will provide a road map that documents specific agency-based strategies adopted by different types of nonprofits to promote voter participation and will illustrate what has and hasn't worked. It holds the potential both to inform the efforts of nonprofits already encouraging voting and to motivate and guide a far greater number of nonprofit service providers to incorporate voter engagement in future years.

With a better road map, guidance, and resources, nonprofits and civic organizations can make a large and lasting contribution to growing the electorate and closing participation gaps. They can leverage engagement assets to elevate the voice of the nonprofit sector and communities they serve at the table of democracy—adding new strength and vitality to their historic role as a positive force for social progress and civic renewal.

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Civil Society, Chinese Style:
The Rise of the Nonprofit Sector in Post-Mao China

by Chao Guo, PhD, Jun Xu, PhD, David Horton Smith, PhD, and Zhibin Zhang, PhD

China's nonprofit sector has long been hampered by government oversight, and unwieldy regulations and a laborious process toward official recognition have led to millions of unregistered grassroots organizations. Now, strictures are loosening—but slowly: the potential for nonprofits to inspire future regime opposition gives the government pause. As we watch the challenges and opportunities unfold, let us be reminded of the importance of maintaining a healthy civil sector.

Editors' note: It is easy to forget and let lie fallow the great democratic potential of nonprofits in the United States. We have listened for years to U.S. nonprofit leaders bemoan—while overstating—the limits that are placed on advocacy potential, using it as an excuse not to work with their communities to ensure that public policy meets community need. But have we lost perspective on what the value of freedoms exercised regularly really are? This article has been on our minds for a while as we tracked the development of civil society in China and the regulatory/political environment in which it has functioned. We urge every U.S. nonprofit leader to read this, because not only is it enormously interesting, it also provides a vivid sense of what we need to protect and use.

N July of 2012, hundreds of Chinese nonprofits shared a moment of celebration: China's first-ever charity fair had taken place, in Shenzhen, a south China municipality that aspires to become a "city of philanthropy" and a "city of volunteers." The charity fair had a strong government flavor: it was hosted by the Ministry of Civil Affairs (MOCA) and the local Shenzhen government. This event, along with President and General Secretary Hu Jintao's call for stronger and more creative forms of social management (and the release of draft guidelines for the development of Chinese philanthropy—a five-year plan for 2011–2015—by MOCA in the previous year), sends a clear signal that the Chinese government is now ready to recognize the tremendous growth of the nonprofit and voluntary sector, and to value its contribution to Chinese society.

Portrayed by some as a "quiet revolution," China's civil society sector has begun to emerge since the government launched its economic and political reforms some thirty years ago. Today,

there are over 460,000 officially registered non-profit organizations (NPOs) with nearly six million employees, as well as millions of unregistered grassroots organizations.[1] Our aim is to provide a brief introduction to this exciting social movement currently at play in one of the world's great civilizations. We will also share some thoughts on the challenges and opportunities that Chinese nonprofits have as they seek to survive and prosper in a restrictive institutional and resource environment that has recently begun to improve.

The Larger Picture of the Nonprofit Sector in China

The nonprofit sector in China consists mostly of small, local, grassroots associations that are not registered with the government. Recent (rough) estimates of the numbers of such unregistered social organizations (USOs) range from eight million to ten million.[2] Hence, the roughly 460,000 registered NPOs comprise only a small minority (less than 4–5 percent) of all NPOs when the USOs are properly counted.

The main activities and goals of the USOs focus on recreation and entertainment. Most of these local groups engage in singing, dancing, exercising, martial arts, and other similar leisure activities, often meeting in parks or other open places. Most USOs have at least one formal leader, usually a special (proper) name, and often a register of members. They do not have any offices or paid staff, with all operations taken care of by volunteers.

There are also USOs with no formal leader or group name, and whose regular members simply meet in a certain place at a certain time and perform their activities. One such group, for instance, meets some evenings on a particular street corner in Beijing to demonstrate how to keep a decorated stick in the air using one or two other decorated sticks. Similar informal groups of card players, domino players, and mahjong players can be seen in many indoor and outdoor locations around China. Some USOs have more instrumental goals, including informal discussion or advocacy, but these are much rarer.

Technically, all USOs are illegal because they have not registered with MOCA, but the government rarely takes any action to dissolve or punish

USOs or their members simply for existing. In this sense, there is some de facto freedom of association in China today—if not, at present, *de jure* (by law). However, the government is considering performing closer monitoring of these USOs.

Pathways to Recognition and Registration
Chinese nonprofits, especially the officially registered ones, do not fit neatly into the definitions of nonprofit organizations commonly used among Western scholars and practitioners. According to the current classification system developed by MOCA, the more than 460,000 officially registered NPOs fall into three broad categories:

1. "Social organizations," which include economic groups (trade unions and chambers of commerce, etc.), social groups (social clubs, research organizations, hobby groups, etc.), religious groups, and membership-based public-benefit organizations;
2. "Private non-enterprise organizations," which include nonprofit schools, hospitals, and social service organizations, among others; and
3. "Foundations," which include public fundraising foundations (such as Soong Chingling Foundation, China Foundation for Poverty Alleviation, etc.) and non-public fundraising foundations, often referred to as private foundations.

While the majority of NPOs do serve a public- or mutual-benefit purpose, these registered nonprofits vary in the extent to which they are autonomous and voluntary. In fact, many nonprofit organizations currently registered with MOCA are actually "government-organized non-governmental organizations" (GONGOs). Nearly all of the national associations are GONGOs, as are many NPO service agencies. There are also many organizations *not* included in the 460,000 registered NPOs noted above that operate on nonprofit principles but are registered as for-profit businesses, as in the case of some private schools and social welfare NPOs. NPO founders have frequently taken this path because the formal MOCA registration process is difficult to get through in a timely manner, if at all. Becoming a registered business is much faster and simpler,

and allows NPO leaders to get on quickly with their desired service delivery to people in need in a legal manner. There are no formal statistics on how many registered businesses are NPOs "in disguise," but estimates suggest there are probably some hundreds of thousands in all of China.

To a great degree, this lack of autonomy from government can be attributed to the restrictive regulatory, political, and economic environment in which these organizations operate. In particular, under the current legal framework, a dual-control system requires that most nonprofit organizations not only register with MOCA but also be affiliated with and supervised by a government agency in its functional area. This policy of government registration and functional affiliation effectively sets entry barriers and thus seriously hinders efforts to establish nonprofit legal entities.

Only a small minority of all NPO founders seek formal registration with MOCA, with most such founders not wishing to get involved in protracted bureaucratic procedures for their small leisure-activity groups. Recent research suggests some interesting pathways to recognition taken by NPO leaders who desire government recognition. The first step toward recognition is to approach MOCA at some territorial level—usually the local district. There are branches of MOCA at various territorial levels of government, from the central government in Beijing to provincial, municipal, district, and sub-district ("street") levels. Authoritative decisions regarding NGO registration are usually made at the district level or higher. The most common initial government (MOCA) reaction to NPO founder queries or to full NGO registration applications reported by our interviewees was no formal reaction (hence, inaction) for many months, often more than a year. NPO founders usually saw the MOCA officials as delaying or ignoring requests and queries.

After receiving no official response by MOCA for many months or longer, some NPO founders choose to give up, and their NPO dies, "stillborn." However, a persistent NPO founder who desires formal recognition has two main options left:

1. Registering with the Industrial and Commercial Administration Bureau as a for-profit company; or

2. Seeking patronage or sponsorship by a GONGO, government-registered NPO, or hub-type NPO.

The perceived inaction by MOCA leads many NPO founders to choose the pathway or option of registering with the Industrial and Commercial Administration Bureau for for-profit status and thus government recognition in order to get on with their operations. A few prominent examples include Beijing Stars and Rain (China's first nonprofit educational organization committed to serving children with autism) and the Beijing Maple Women's Psychological Counseling Center. Unfortunately, such for-profit status brings many serious limitations that hamper NPO efficiency and effectiveness. As a result, very large numbers of Chinese NPOs registered as pseudo for-profit companies have much less of a beneficial social impact than they would had they been allowed by the government to officially register as NGOs.

There is also an informal substitute for MOCA registration: patronage/sponsorship. Recently, some quasi-governmental alternatives to MOCA NPO registration have emerged:

1. The Communist Youth League of China (CYL), a quasi-governmental organization affiliated with the ruling Chinese Communist Party, recognizes selected youth NPOs, including student groups at universities;

2. In certain major cities, the municipal volunteer federation (for example, Beijing Volunteer Federation) has hundreds of unregistered NPO "members" (organizational members or affiliates); and

3. Other hub-type GONGOs in major cities recognize selected NPOs as affiliates (for example, Beijing Municipal Federation of Trade Unions, Beijing Women's Federation, Beijing Association for Science and Technology, Beijing Disabled Persons' Federation, etc.).

Over the course of a year or more after application to MOCA for formal NPO recognition, some NPOs are sanctioned after a kind of trial period in which they demonstrate their usefulness and "inoffensiveness" (i.e., nonpolitical activity). MOCA invites some NPOs registered as businesses to become registered NPOs, and does the same for

After receiving no official response by MOCA for many months or longer, some NPO founders choose to give up, and their NPO dies, "stillborn."

some sponsored/patronage NPOs, though only rarely for USOs. The number of NPOs taking this special pathway seems to be relatively small.

The selective encouragement by MOCA of certain for-profit NPOs or sponsored NPOs to register as NGOs after a period of observation occurs too late and too infrequently to do justice to all of the positive energy of China's millions of social entrepreneurs and NPO founders, especially USO founders, let alone the tens of millions of potential volunteers for these NPOs. This current situation constitutes a great loss of potential services for Chinese society and the Chinese people as they strive for betterment. The magnitude of this loss has not yet been accurately estimated but is likely huge.[3]

Ongoing Struggles after Formation

For those organizations that manage to find a qualified and willing supervisory government agency in order to register with MOCA, the battle is far from over. The dual-control system continues to have an impact on nonprofit governance and management because it leads to excessive government intervention and at the same time provides ineffective supervision. Many grassroots organizations, especially those that intend to advocate for the public interest, are under heavy scrutiny and regulation from the government.

As findings from our own research show, advocacy organizations operate in a more suppressive institutional environment than other NPOs: they are more heavily regulated and closely monitored by the politically conservative government. Besides the various legal and regulatory constraints that apply to all types of nonprofits, the government is especially concerned about the possible disruptions that nonprofit advocacy work might cause to the current regime, and, as a result, many advocacy organizations find themselves operating under strict government scrutiny and their resource base undermined by the inaccessibility of government funding and restrictions on fundraising. The situation is further complicated by supervisory agencies that are sometimes skeptical about the motives of the organizations and often intervene in their program activities. Not surprisingly,

these advocacy organizations tend to keep their supervisory agencies at arm's length.

In contrast, service agencies face relatively more favorable institutional and resource environments. First, these organizations receive less government scrutiny and have a less constrained resource base. The government welcomes the fact that nonprofits are assuming more responsibility for providing social services, and it is willing to provide some financial support. Second, the favorable institutional environment is often marked by a supportive supervisory agency, which will consistently provide political, financial, personnel, and other assistance for the organization's development and expansion. Therefore, service-oriented organizations likely develop a closer working relationship with their supervisory agency.

A second serious challenge that these organizations must confront are strict donor rules. According to the Regulation on the Administration of Foundations, issued in 2004, only a few government or government-sponsored foundations, such as the Red Cross Society of China and China Charity Federation, are allowed to raise funds from the public. In addition, the government offers few effective tax incentives for donors. These rules and governmental regulations force Chinese nonprofits to rely on government subsidies, earned income strategies, and foreign funds to finance their operations and activities, jeopardizing their efforts to grow the organization and increasing the risk of mission drift and losing touch with the community. The good news is that several local jurisdictions (such as Shenzhen and Guangzhou), with blessings from MOCA, have recently experimented with opening the public fundraising market for charitable organizations. In January of last year, the One Foundation, established by martial arts superstar Jet Li, registered with the Shenzhen government and became the very first independent public fundraising foundation in China. Prior to that, the foundation had to be run as a special project under the Red Cross Society of China in order to be granted permission to conduct public fundraising campaigns.

In addition, MOCA regulations allow an organization to operate only in the local jurisdiction where it is registered, prohibiting establishment

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of branch organizations in other areas. Such regulations make it difficult, if not impossible, to extend the services and influence of an organization beyond its local jurisdiction even when circumstances call for more widespread operations. In a case study on a grassroots organization in Shanghai, the organization's proposal to implement a post-disaster reconstruction program to serve victims of the 2008 Sichuan earthquake was stopped by its supervisory agency. The agency's rationale for intervention was that the proposed program would fall outside the scope of the organization's legally defined geographic service area, which was the local jurisdiction where it was registered (i.e., a local district in Shanghai).[4]

The Road Ahead

All of the many NPOs whose founders and leaders we interviewed were fully dedicated to providing socially beneficial services, as nonprofit service agencies or associations, in selfless devotion and in a conscientious attempt for the betterment of Chinese society. The interviewees began their work in developing NPOs as volunteers, giving their time altruistically to help their community and the larger society. Perhaps Chinese NPO leaders can find more effective ways to demonstrate to MOCA the positive social value of the nonprofit sector in China. Certainly, there are persuasive arguments for sturdier government support.

The Chinese "economic miracle" of the past few decades occurred in large part because the government decided to allow more "free market" activity in the Chinese economy in parallel with such government central planning as in China's heavy industry. It is likely in China's interest now to pursue a parallel development strategy for the nonprofit, or social organization, sector, where, if the government embarked on fostering more "free *non*market economy" activity, a similar renaissance could take place. In other words, the same approach used in the past three decades for the economy could be used to foster nonprofit sector expansion—perhaps more government-controlled GONGOs, but especially many more independent and grassroots nonprofit service agencies allowed to register as NGOs. (Many true NPOs now registered as for-profit companies could be asked to re-register as NPOs after screening by MOCA.) Some key arguments are as follows:

- The nonmarket economy (nonprofit sector) can employ many more paid staff if it expands substantially. This will relieve pressure regarding new jobs in China, as there will likely be some cutbacks in the manufacturing sector given the prospect of some future years of global recession. And, expanding jobs in the service agencies of the nonprofit sector will significantly help with jobs for young people, especially college graduates, who aspire to become nonprofit leaders and change agents with a strong commitment to making a difference in the community.

- The expanded nonprofit sector service agencies can generate revenue and deliver a wide variety of useful services, with corresponding substantial savings to the budget of the government, because government agencies would otherwise have to supply those services at higher costs. (It should be noted that the independent nonprofit sector infrastructure organizations that provide training for NPO founders/leaders would still need government funding for such matters as linking of volunteers to NPOs that need them; applied research to improve the efficiency and effectiveness of NPOs; and websites that provide usable knowledge for NPO and volunteer program leaders.)

- Current President and General Secretary Hu Jintao recently stated the importance of social construction as China seeks to develop a harmonious society based on socialism with Chinese

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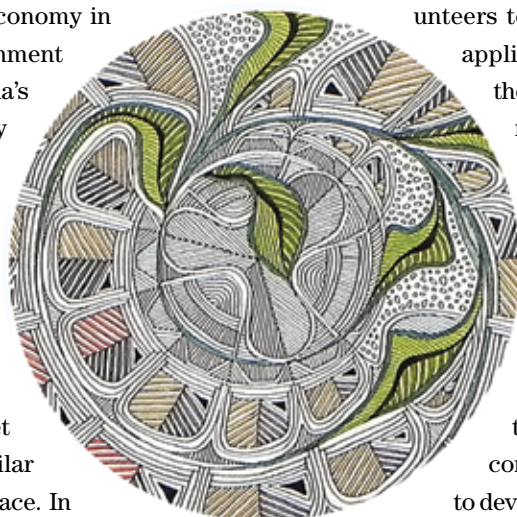
characteristics. New ideas are being sought from the people and party leaders regarding how to combine economic, political, and cultural development simultaneously. The party urges people to consider social development very seriously—new social forces to address new social problems in China as a continuation of social reform. In order to successfully address these issues, new social institutions are needed. The nonprofit and voluntary sector can play a vital role in China's social development, and NPOs have a key role to play in this ongoing social reform and construction. By NPOs we mean not only government-registered NGOs but also NPOs registered as for-profit companies, as well as the much larger number of NPOs with no formal registration at all—not even as "legal persons."

- The party guides the people of China toward new social reforms, but the people lead. One aspect of this leadership by the people is the set of new ideas for social services and activities embodied in NPOs, both new ones and existing ones, both registered and informal. New ideas come from party and government leaders directly concerned with the nonprofit sector, too—particularly MOCA.

Our general recommendation is that it is important to try to reenact the Chinese economic sector "miracle" of the past thirty years in the nonprofit sector. This reenactment can be encouraged by focusing on the variety of useful social services provided by a myriad of registered and unregistered (informal) NPOs, new and old, that encourage and utilize the vast reservoir of altruism in Chinese NPO founders, leaders, paid staff, and volunteers.

Concluding Remarks

Though still young and fragile, the emerging nonprofit sector in China in the past twenty to thirty years has clearly demonstrated its potential in providing social services and leisure activities, as well as influencing public policy. The Chinese party-state has begun to see the value of NPOs for serving the needs of China's large population in ways that the government cannot do or chooses not to do any longer. However, the government is "going slowly," having mixed feelings about

NPOs given their potential for stimulating future opposition to the regime. Future successes with government NPO-contracting and privatization of government service activities, especially in the absence of significant regime opposition by NPOs, are likely to strengthen these trends in the next decades.

Scholars dispute whether China's nonprofit sector constitutes a genuine civil society, given the strength of government control, limitations on political activity, and interventions in NPO activities and goals by the current authoritarian regime. Much progress has been made since the totalitarian period under Mao, but much future change is still needed to achieve a valid civil society, given the usual definitions of this latter term. The current freedom under which USOs operate is a positive sign of some genuine civil society, though hampered by the technical illegality of USOs and the prohibition of NPO political activities. Hopefully, the government will eventually rescind the law that makes all unregistered NPOs (USOs) illegal simply for existing, and focus legal restraints on NPO activities that are actually harmful to people.

Notes

1. Tuan Yang, ed., *Zhongguo cishan fazhan baogao* [*Annual Report on China's Philanthropy Development*] (Beijing: Social Sciences Academic Press, 2012), 1.

2. The eight-million estimate came from the following source: Keping Yu, "Dui Zhongguo gongmin shehui ruogan wenti de guanjian" ["Opinions on Several Issues Concerning Chinese NGOs"], in *Zhongguo gongmin shehui fazhan* [*Blue Book of Civil Society Development in China*], eds. Bingzhong Gao and Ruijun Yuan (Beijing: Beijing University Press, 2008), 243; the ten-million estimate came from the following source: Zhenyao Wang, "Basic Challenges Faced by the Third Sector and Public Governance: The Coming Age of Modern Philanthropy and Social Construction," a paper presented at the Conference on the Third Sector and Public Governance, sponsored by the Capital University of Economics and Business, Beijing, China, May 22, 2011.

3. This section draws on the following article: Jun Xu and David H. Smith, "Legitimacy Pathways Theory:

How Nonprofit Organizations in Post-Mao China Seek Acceptance by the Government" (Chestnut Hill, MA: Dept. of Sociology, Boston College, 2012; unpublished paper under editorial review).

4. This section draws on the following article: Chao Guo and Zhibin Zhang, "Mapping the Representational Dimensions of Non-profit Organizations in China," *Public Administration*. Published electronically December 12, 2011.

FURTHER READING

David H. Smith, "Review and Assessment of China's Nonprofit Sector after Mao: Is It 'Civil Society' Now and Does That Matter?," 2012. (Chestnut Hill, MA: Dept. of Sociology, Boston College; unpublished paper under editorial review).

Zhibin Zhang, Chao Guo, and Dongjin Cai, "Governing Chinese Nonprofit Organizations: The Promise and Limits of the 'Third Way,'" *International Review of Public Administration* 16, no. 1 (2011): 11–30.

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Protecting Endangered NONPARTISAN Space

by Marcia Avner and Laura Wang

Supporting issues directly related to their mission is one of the things that nonprofits do, but the Citizens United decision and an increasingly polarized political landscape have put nonprofits under intense scrutiny. In this article, the authors lay out a dozen strategies for protecting our nonpartisan space.

Minnesotans will be asked on their 2012 ballot to weigh in on a proposed constitutional amendment requiring valid photo identification to vote—a strictly party-line effort approved by the state legislature in 2011. Many nonprofit groups and foundations opposed the amendment because it would discourage voting by ending Election Day registration and creating a messy system of provisional balloting. AARP was one of many organizations opposing the photo ID requirement, along with the League of Women Voters, TakeAction

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Minnesota, the Minnesota Council of Nonprofits, the American Civil Liberties Union, Citizens for Election Integrity, Common Cause, and several unions. Prominent Minnesota political leaders such as Democratic former vice president Walter Mondale and Republican former governor Arne Carlson agreed to serve as co-chairs of the opposition campaign, which was named "Our Vote Our Future."

Backing the amendment was the organization Minnesota Majority, styling itself as a conservative voice supporting "traditional values"[1] and holding a press conference to criticize AARP's opposition, alleging that a majority of AARP members would not be in agreement—at which point several people identifying themselves as AARP members cut up their membership cards and chided AARP for opposing the proposed measure. Notwithstanding that bit of political theater, Minnesota Majority had no real basis for its claim. A few days later, news reports noted that the ballot fund supporting the amendment, Protect My Vote, was itself started by Minnesota Majority, and that its largest contributor was Joan Cummins, wife of Bob Cummins—who, according to Minnesota Public Radio, is "one of Minnesota's most generous Republican donors" as well as founder of the Freedom Club, an organization that

was instrumental in the GOP's having won control of an historic number of state legislatures in 2010.[2] However, the creative visuals and attacks in the Protect My Vote press conference got more attention than the questionable practices and affiliations of the attackers of AARP. Accustomed to operating in a nonpartisan space where it could advocate for positions without regard to political party affiliations, AARP nonetheless felt moved to argue that its position on the proposal was a long-standing formal and fully vetted part of its government accountability agenda.

A Polarized Political Environment

While Minnesota has endured increasing polarization in political dialogue for a decade now, the political environment for nonprofits underwent a major shift with the Citizens United decision in 2010 blocking government regulation of political spending. The decision affected twenty-four states and led to a slew of vehicles for moving money through nonprofits to support partisan agendas. This shift raises some critical challenges to protecting the nonprofit sector's nonpartisan role. When an increasing number of issues are defined as partisan, nonprofits that work on those issues to advance their missions are tossed into the hyperpartisan arena—as are their members, donors, recipients of services, party activists, and the media. What should nonprofits do to avoid or manage risk in this politicized partisan environment? What strategic responses work for nonprofits accused of partisanship? And, is it possible for nonprofits to use their nonpartisan status to mitigate the detrimental effects of political polarization?

The vast majority of nonprofits are nonpartisan—most U.S. nonprofits have IRS 501(c)(3) status, prohibiting them from partisan political activity. However, being "nonpartisan" does not mean the same thing as being neutral, or having no positions on public policy issues. Nonprofits are called on not just to effectively deliver their services but also to endeavor to influence the systems, structures, and policies that affect the causes of problems—for good or for bad—or that create opportunities. Having a voice in policy debates is essential to the work done by many organizations. Nonprofits feed and house people, prepare kids for kindergarten, protect the environment, promote an engaged and informed citizenship, and deliver any number of services to the more vulnerable segments of the population—from the elderly to people living with disabilities to victims of natural disaster—but progress toward their goals is often dependent on decisions about systems and resources made by the legislative bodies around the country; nonprofits' on-the-ground experience and expertise provide both practical information and community perspective that help inform these decisions.

Participating in legislative conversations does not come without risk. When nonprofits move beyond the world of service delivery and enter

the policy arena, many of their leaders find that the outside perceptions of their organizations change. Any number of nonprofit advocates have delivered powerful testimony to legislative committees—backed by sound data about their programs and powerful personal stories about the impact of a debated policy—only to be caught in the cross fire of political fights, with their mere presence in the debate used as a weapon to challenge their nonpartisanship, tax-exempt status, and the good work they are doing in the community. Increasingly, nonprofit positions are being cast as "conservative" or "progressive" (or often "liberal")—and, implicitly, "Republican" or "Democratic"—as those terms are understood in our increasingly polarized political landscape.

While times have changed, with a twenty-four-hour news cycle and a seemingly permanent campaign influencing our dialogue, it is worth remembering that significant social change has frequently correlated with breakdowns in civil discourse. The abolition of slavery, the fight for suffrage, the civil rights movement, and the Vietnam War were each accompanied by politics of divisiveness. Civic organizations played a significant role in these issues, bringing the problems to public attention, advocating for fair and just solutions, and healing communities as the debates subsided. Nonprofit organizations are again at the forefront on all sides of major issues that divide communities today, such as immigration, LGBT rights, and healthcare reform, but now they face a serious challenge. The strategy of "guilt by association" promotes a belief that anyone supporting or opposing an issue position must be in cahoots with a political party and loyal to its agenda if that agenda aligns with the position. This tactic allows opponents to dismiss the value of nonprofit advocacy—no matter how compelling or well supported by evidence—as being mere politics.

Being involved in political arenas where policies are shaped is an appropriate and responsible nonprofit role, and while maintaining nonpartisan status is an ongoing challenge, nonprofits can protect their nonpartisan brand by insulating their organization from assumptions of partisanship and attacks, using the following core strategies:

1. *Know and comply with rules limiting partisan activity.*[3] Nonprofits may not do anything to overtly or implicitly support a particular candidate or party. Nonprofits may lobby and advocate, and it is often the best strategy for meeting their missions. Enforce best practices throughout your organization.

2. *Base policy positions on solid information.* Even if emotions and partisan politics trump evidence or facts for decision makers, nonprofits need to build their activism on a defensible rationale.

3. *Ensure that board and staff separate any personal political activity and identity from their roles as nonprofit spokespersons.* This is easier said than done, but the nonprofit advocate has to identify when she or he is the voice of the organization. This is worth some robust discussion and establishment of guidelines for your nonprofit's specific situation. Some leaders choose to step back from political activity to avoid confusion; others are careful to identify their partisan presence as personal.

4. *Work to build relationships and support from allies and elected officials of all political leanings.* Seek out unexpected partners who are with you on the particular issue. Keeping the focus on the issue and finding the sweet spot where the issue connects with the intellect, enlightened self-interest, and emotions of a potential ally is the art of effective base building and advocacy.

5. *Sustain the argument that your position is in the best interest of the community, and validate that by including community organizing and mobilization in your policy-related work.* Let the community members who are affected by decisions have a voice in those decisions. Have the community opinion leaders and press stand with you on the basis of the positive impact that your proposal will have.

6. *Don't make nonpartisan issues political by personalizing opponents.* Being nonpartisan requires some political savvy—a characteristic not too evident in the case a decade or so ago of a Minnesota nonprofit that

placed ads in local papers statewide with pictures of legislators who opposed its bill to ban public smoking. The ads each showed a scowling House member and called on constituents in eight districts to "tell your representative that he/she is voting wrong on the smoking ban."[4] All of the named opponents were members of one political party—and legislators, in their anger at the personalization and assumed political divisiveness of the action call, demanded an end to all lobbying by nonprofits.

7. *Create coalitions.* In many places, when a volatile and overly politicized issue is identified with a specific nonprofit, that nonprofit and its sibling organizations join together in coalitions (or even create separate organizations) that serve to attract diverse groups and/or separate them from a single organization's interests and identity. In this way, they avoid the impression of partisanship.

Going forward there will no doubt be more attacks on nonprofits that support or oppose an issue claimed or identified as part of a partisan agenda. Don't allow this to cause you to back away from taking a position on issues important to your mission. Instead:

1. *Choose issues for the right reasons.* Your first priority is likely to be the issues most closely tied to your mission—with limited time, money, and people you will want to work to advance your mission and the principles that are its underpinning. However, there are issues with broad implications for the communities we serve, where history has shown that a wide coalition of voices is needed to ensure social progress: human rights, fiscal policies, upholding democratic practices. While these may not be part of your regular programming, they are likely to go to your core values, and nonprofits should not hesitate to speak out on such issues, contributing the experience and expertise they possess in knowledge, information dissemination, and mobilization.

2. *Be proactive about establishing what your policy positions are.* Don't wait to be put in a defensive position.

3. *Be strong.* Especially when the issue is core to your work, be courageous, clear, and focused on the work at hand.

4. *Choose when to respond publicly to an attack, and be intentional about it.* Don't extend the shelf life of a story unnecessarily. Do correct facts and position your organization as being focused on problem solving.

5. *Promote civility and encourage civic engagement.* Remember that when leadership organizations do important work, they are unlikely to have everyone's support. Don't take any assaults on your organization's positions personally, and don't jump to an oppositional and argumentative stance when baited. Nonprofits need to set the standard for civil dialogue, not be dragged down to the lowest forms of partisan squabbles. Stay cool, without ceding your position. Let many voices demonstrate the broadest possible support for what you advocate.

NOTES

1. "Standing Together for Traditional Values," banner on the home page of Minnesota Majority, accessed September 12, 2012, www.minnesotamajority.org/.
2. Catharine Richert, "Voter ID Groups Release First Fundraising Numbers," *MPRNews*, June 20, 2012, minnesota.publicradio.org/collections/special/columns/polinaut/archive/2012/06/voter_id_groups.shtml.
3. Resources for nonprofits include Alliance for Justice (www.afj.org), the National Council of Nonprofits (www.councilofnonprofits.org), and the Center for Lobbying in the Public Interest (www.clpi.org).
4. One of the authors remembers being asked for her opinion and referring the nonprofit to the Alliance for Justice. "They agreed with my concern that it didn't pass the 'smell test'—i.e., did not avoid overt or implied partisanship. The nonprofit still ran the ad in several weekly papers. Within a week, a legislator had brought the ad up at a committee and asserted that he took it as a personal and political attack and that it made him want to pass a bill making it illegal for nonprofits to lobby."

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Remember that when leadership organizations do important work, they are unlikely to have everyone's support. Don't take any assaults on your organization's positions personally, and don't jump to an oppositional and argumentative stance when baited. Nonprofits need to set the standard for civil dialogue, not be dragged down to the lowest forms of partisan squabbles.

Dr. Conflict

by Mark Light, MBA, PhD

Dr. Conflict's prescription for getting fractious board members back in the swing of things? "Red meat on the table," a good facilitator, and a new, shared vision. But executive leadership is central: "Wake up," says Dr. C., "smell the coffee, and enable the great board that your agency and its clients require."

DEAR DR. CONFLICT,
My board has divided itself into factions, and there seems to be a war being waged in and outside of the boardroom. I do not even really know what the issue is except that a few people seem to have gotten on each others' last nerves. When certain people speak, certain other people (a) roll their eyes, (b) cut each other significant glances, or (c) shift around angrily in their chairs. This usually precedes a stated contradiction of whatever someone else has just said.

I think that all of this has actually crowded out any thoughtful governing, but how should I, as mere executive director, take this on? It is awkward because the behavior is very childish and I will feel like I am reprimanding them when they are actually supposed to be the parent figures.

Mere Executive

Dear Mere Executive,
Every few years someone just like you writes about this type of situation. The details vary somewhat, but the story always includes the same symptoms of eye-rolling, chair-shifting, last-nerve boards. Is it any wonder that "governance as leadership," in which effective boards operate in the fiduciary, strategic, and generative modes,[1] is as likely to occur as babies sleeping through the night? ("You've heard about them, but it certainly didn't happen with your kids.")[2]

The good news—if you can call it that—is you're not alone. CEOs and board members in the BoardSource *2010 Nonprofit Governance Index* "generally agree that board performance is not at the top of the class."[3] The 978 CEOs who responded gave their boards a C+, which would put their boards on academic probation at many universities. At least that's an improvement over the 2007 Index, where respondents said, "Nonprofit board performance is mediocre at best."[4]

What the heck is going on here? Why is it that the very people interested enough in good governance to join BoardSource are giving their boards such middling grades? No surprise, it's largely about fundraising (or the lack thereof). But why are you, Mere Executive, having such a lousy time with your crew? Maybe it's because your board members were the babies that cried through the night.

More likely they are reverting to their primate heritage and simply stirring the pot of conflict as a way to deal with the boredom that plagues so many boards. After all, the same architects of the "governance as leadership" framework identified, a decade earlier, boring meetings as one of the top four complaints of board members.[5]

Think that adaptation to boredom is farfetched? Not so for Thomas Zurbuchen, at the University of Michigan's Center for Entrepreneurship, who finds four phases of boredom: Phase one is distraction, which you can first see in the wandering, rolling eyes. Phase two is the loss of goal—the fog that descends and eradicates passion. Phase three is conflict that turns team members into enemies. Phase four is hopelessness.[6] Sounds just like your board, doesn't it?

Let's assume for a minute that boredom is the reason for the flaring up of conflict on your board. But that certainly is not the root cause; it's a presenting symptom. What could be the cause of the boredom? Perhaps it's a failure to put "red meat on the table," which, out of the four standard complaints of board members, is number one. Or perhaps it's their third complaint, that board members must grapple with an overwhelming amount of information. Or maybe it's their fourth—that the "parts on this board sum to less than the whole."[7]

These are fairly straightforward—though not necessarily easy—problems to address. Dr. Conflict recommends that you begin with the first complaint and put red meat on the table—figuratively speaking, of course. This is the

generative mode of governance, with its "different definition of leadership. Leaders enable organizations to confront and move forward on complex, value-laden problems that defy a 'right' answer or 'perfect' solution."[8]

What is the right cut of red meat to serve? Consider a longer session for the board, during which you directly confront the question of what is holding back the agency in general and the board in particular. Get a good facilitator who can manage the tensions in the room, and consider fronting the session with an interview study of the board members that allows them to speak candidly and anonymously.

The likelihood is that you'll hear many complaints, including those mentioned earlier. It could be that there's confusion around duties and guidelines of conduct, or that there are too many committees (or too few). Create ad hoc committees around the major problems you identify, draft action plans, and then go to implementation.

You could amp it up with a bigger-picture approach by changing the question from what is holding your agency back to what can take it forward. Some call this a wish session, where you simply ask, "What do you wish for our agency?" Shadow sides still come out, but in a more positive frame, while at the same time opportunities are voiced on the way to a shared vision. Remember Friedrich Nietzsche's wisdom: "He who has a why to live can bear almost any how."[9] The "why to live" can bring even the most eye-rolling, last-nerve board members together.

But where, Dr. Conflict wonders, is the leadership? The above-mentioned tactics are all well and good, but who is to put them into place? Nowhere in your letter do you mention the board chair, and you call yourself a "mere executive director," as if you have nothing to do with the unrest of your board. But you have everything to do with it. "To stand aside and expect the board to be effective without the help of the executive director is utter folly. That's why for the executive director who asks 'What good is the board?' comes the reply that he or she alone is largely responsible for the answer."[10] Indeed, board members not only want you to help them be more effective, they expect it. They want you to provide the leadership necessary to enable the board's work.

Robert Herman and Dick Heimovics characterize this as executive centrality—wherein "chief executives can seldom expect boards to do their best unless chief executives, recognizing their centrality, accept the responsibility to develop, promote, and enable their boards' effective functioning."[11]

Here comes the tough love: you get the board you want. If you're going to see yourself as a "mere executive director" who has no responsibility for the board's effectiveness, your dream has come true. But Dr. Conflict urges you to step up to the real world where "board members and staff expect executive directors to take responsibility for success and failure and they do take such responsibility."[12] Wake up, smell the coffee, and enable the great board that your agency and its clients deserve and require.

Notes

1. Richard P. Chait, William P. Ryan, and Barbara E. Taylor, *Governance as Leadership: Reframing the Work of Nonprofit Boards* (Hoboken, NJ: John Wiley & Sons, Inc., 2004).

2. Mark Light, *Results Now for Nonprofits: Purpose, Strategy, Operations, and Governance* (Hoboken, NJ: John Wiley & Sons, Inc., 2011), xiv, 137, 287.

3. BoardSource, *Nonprofit Governance Index 2010* (Washington, DC: BoardSource, 2010), 6, www.boardsource.org/dl.asp?document_id=884.

4. BoardSource, *Nonprofit Governance Index 2007* (Washington, DC: BoardSource, 2007), 4, www.boardsource.org/dl.asp?document_id=553.

5. Chait, Thomas P. Holland, and Taylor, *Improving the Performance of Governing Boards* (Westport, CT: American Council on Education/Oryx Press, 1996), 1–2.

6. Thomas Zurbuchen, "Phases of Boredom," *Associate Dean Zurbuchen's Blog*, February 24, 2010, cfe.engin.umich.edu/blog/2010/02/phases-of-boredom/.

7. Chait, Holland, and Taylor, *Improving the Performance of Governing Boards*, 1–2.

8. Chait, Ryan, and Taylor, *Governance as Leadership*, 134.

9. www.brainyquote.com/quotes/authors/f/friedrich_nietzsche.html.

10. Light, *The Strategic Board: The Step-by-Step Guide to High-Impact Governance* (New York: John Wiley & Sons, Inc., 2001), xvii, 145, 145.

11. Robert D. Herman and Dick Heimovics, "Executive Leadership," in *The Jossey-Bass Handbook of Nonprofit Leadership and Management*, 2nd ed., Robert D. Herman and Associates, ed. (San Francisco: Jossey-Bass. Inc., 2005), 157.

12. Herman and Heimovics, *Executive Leadership in Nonprofit Organizations: New Strategies for Shaping Executive-Board Dynamics*, Jossey-Bass Nonprofit Sector Series, 1st ed. (San Francisco: Jossey-Bass, Inc., 1991), xiii.

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Wagging the Dog: Philanthropy's Influence on Nonprofit Management

by the editors

Nonprofits can feel like philanthropy's "tiny dancers"—performing the latest and greatest ideas at philanthropy's behest, whether or not the intervention fits the organization's infrastructure and practice. But every so often a proposed "new" management practice leads to meaningful change.

THE CEOS WHO WRITE ABOUT impact and effectiveness. The program officers who pay for, and often require, nonprofit investments in new management practices. The foundation-paid consultants who codify the new frameworks. And the media of all kinds that act as enthusiastic distribution channels for the latest "best practices." These philanthropy-driven forces have an enormous influence on nonprofit management discourse and executive decision making about how to craft strategy and build capacity.

And it's important to note that the influence is far broader than the understandable one-on-one pressure a nonprofit executive may feel to say yes to a key program officer when asked to create a specifically tailored "theory of change," for instance, as part of proposing a major grant. When the big new waves of management theory surge, executive directors feel compelled to ride them, even if they originated in a different context or were initially attached to funding to which the directors will never have access. And, of course, these "new" waves are more often than not recycled—it seems almost compulsively—from past fads that may or may not have caught on, and relabeled

in the day's trendiest lingo. Sometimes what philanthropy says, of course, makes sense, and sometimes it does not, but we always consider the risk of voicing our opinions about that second possibility for fear of losing organizational standing or dollars. Thus, nonprofits often feel like captive performers of the latest and greatest ideas in philanthropy—their tiny dancers, so to speak. We get good at going through the motions, which for nonprofit leaders can be frustrating and inefficient at best and downright demoralizing at worst.

In the face of failure of so many management interventions that pass through the nonprofit digestive tract, organizations must ask themselves, "Do they nourish us and make us more agile and alert . . . or not?" And again, when philanthropy is promoting an intervention, or even mandating it, answering that question authentically can feel next to impossible. This prompted *NPQ* to interview a cross section of luminaries who have a particular vantage point on how philanthropy influences what's deemed best management practice for nonprofits: What effects, good or bad, have philanthropy-based ideas from the past thirty or forty years had on the way nonprofits

are managed? Have any of those ideas stood the test of time? (In other words, are they still driving the way nonprofits manage themselves?) And what would be the nominees for the worst and best management ideas at large today?

Jan Masaoka, of the California Association of Nonprofits (CalNonprofits) and the online magazine *Blue Avocado*, is a longtime observer of consulting to nonprofits, having headed CompassPoint Nonprofit Services, one of the nation's most well-regarded consulting and training organizations, for fourteen years. "Every management fad (oops: great innovative idea) that passes through the for-profit management consulting firms comes to the nonprofit sector courtesy of foundations—from 'management by objective' to 'strategic planning' to 'reinvention' to 'learning organization' to 'balanced scorecard' to 'strategic investment.' All of these have good elements, but we in nonprofits often feel as if we are being force-fed yet another full dinner of what would be a nice appetizer."

Bill Ryan, of Harvard University's Kennedy School of Government, uses a different analogy. "The swine flu of foundation-imposed management practices is mandated collaborations among

grant seekers. The last great outbreak I witnessed was in the mid-1990s, but it can strike again at any moment. And there is no reliable vaccine. It's perfectly sensible for program officers—sitting in a conference room, looking at all the many nonprofit grant seekers with similar missions and complementary programs—to insist they team up for the sake of efficiency and impact. What they don't see from their conference rooms? All the other conference rooms at all the other foundations where all the other program officers are also demanding collaborations as a condition of their grants. As the collaboration idea mutates and spreads, nonprofits waste time contriving collaborations that are mostly nice on paper." And, we might add, virtually nonexistent off.

On the other hand, points out Deborah Linnell, long-term nonprofit management specialist, "building the capacity to work in networks is one of the better ideas promoted by philanthropy, but I think that this actually emerged from the field and was picked up by philanthropy—which is probably the way it should always work. I do not think we have the management models down for working in a more networked fashion, but the focus of some philanthropists and capacity builders on trying to understand how nonprofits engage in and manage themselves in a more networked approach to jointly achieve meaningful community outcomes is promising."

For Masaoka, it is the enthusiasm of "true believers" that overcomplicates and creates resistance around even the most decent of ideas. She poses the "theory of change" as an important idea, but "after you've done sixteen different theories of change along the different guidelines that sixteen funders want, you get to hate even the phrase." And then there is the tailoring that each proponent does to "sex it all up" a bit—or, as Masaoka describes it, "The smoke-to-fire ratio

right now is way, way off with 'social enterprise,' 'impact investing,' and 'collective impact.'" She concludes, "If only we could start judging organizations by whether they act ethically rather than whether they have a written conflict of interest statement—by whether they change lives rather than whether they have an elegant theory of change—by whether they are integrated into communities of color rather than by whether they have a particular racial mix on the board—by whether they strengthen communities rather than by whether they can check off everything on the management assessment. And maybe pigs will fly."

Linnell believes that the current rage for choosing star innovators to scale up particular responses to social problems is flat-footed. Having observed the way such stuff has occurred over thirty years, she says, "Scaling organizations too quickly or across very different regions or geographies without an invitation from that community or working to ensure a cultural fit in a new community feels top-down. The so-called evidence-based push that often results in scaling up single organizations is one that I feel does not get enough critical analysis of its impact on grassroots innovation. The vast majority of nonprofits, many volunteer-driven, are deeply interwoven into the community fabric, providing a collective resiliency that is difficult to measure."

There was a good amount of agreement on the best management-improvement push. Says Ryan, "I get bored just thinking about it, but thoughtful, real-time collection and use of data has helped lots of nonprofits serve their clients and communities better. They can see what's happening on the ground, see where there are gaps or problems, and step up or step in at the right moment to make adjustments. Data collection and analysis make the world a better place, and the foundations that have invested

in nonprofits' data-collection capacity deserve a big prize. But no honors for the foundations that demand robust data collection but won't fund it. Nor for the ones who invest in it, but more for their own research or monitoring purposes than for the nonprofits trying to do a better job for their clients and communities. You know who you are."

Paul Connolly, of TCC Group, sees the push for evidence as, at its best, promoting evaluative learning. "Over the past several decades, funders have raised the bar for performance measurement and evaluation. But when this has focused too much on accountability, it can become mostly a judgmental 'report card.' Instead, more funders have encouraged evaluation to be more about improving—not just proving. By encouraging nonprofits to employ evaluation for ongoing learning and program refinement, greater social impact has resulted."

Kate Barr, of Nonprofits Assistance Fund, agrees that the takeaway is about evaluation that is timely, focused, and within reach. "Every nonprofit should understand what impact it is trying to create in the world and then develop a reasonable and practical method for monitoring and adapting to the results. Evaluation used to be a lofty field, delegated and contracted out to specialists for mysterious study and reporting. Evaluation has now made its way into nonprofit organizations as a core component of running the organization. There are still challenges to create systems that can be implemented without too many additional costs or staff, but this is a great development for the field and for every organization."

The idea has had a long incubation time, says Linnell. "The United Way of America got the ball rolling on outcome measurement in the 1990s, which I believe has been good overall." But, she says, "the focus solely on outcomes

de-emphasizes the need to support the 'input' end or the capacity of the nonprofit—its infrastructure, administration, and so forth—to achieve those outcomes. I believe process and outcome evaluation have to go hand in hand to demonstrate both the impact *and* how the nonprofit organized itself to arrive at the impact."

Connolly agrees. "One of the most salient ideas that philanthropy has promoted over the past several decades has been the importance of investing in the whole nonprofit organization rather than just the programs. More funders have encouraged nonprofits to invest beyond the crucial services provided—to also include the organizational infrastructure that supports those services. Strong organizations lead to strong programs. Foundations have invested more in the leadership, management, and operations of nonprofit organizations, which has enabled them to increase their organizational performance."

Linnell believes that the emphasis in the last ten years "on strengthening financial management capacity has helped to develop stronger, better organizations." And there are few that would argue with this. But Barr thinks that funders' own grantmaking practices force nonprofits into untenable financial positions, and that this has serious management implications that are, ironically, hard to manage through better financial management. "Standard practice for many foundations is the belief that the only way to be confident that grant dollars are used effectively is to restrict the funds to a limited, defined, and inflexible purpose through a restricted program grant. Restricted funds have resulted in the financial gymnastics that every nonprofit performs to allocate costs, pay for complete and adequate infrastructure, and build cushion or reserves. Foundations have come to believe that restricting their own

funding is fine, because 'another source' will provide the flexibility needed to fill the gaps and provide reserves.

"Many foundations have understood that nonprofits are positioned to advocate for and foster change and new approaches to solve community problems. Foundations have encouraged and supported new ideas and pilot projects to test ideas and approaches that nonprofits couldn't otherwise have tried. The double-edged sword is the preference of many foundations to fund only new and different programs, thereby forcing nonprofits to reinvent programs or continually add more and more to their program portfolio.

"The effect of all this has been the standard practice of developing strategic plans and visions that include new, bold ways to meet community needs. The reality of seeking grants for 'new' programs is constant growth, whether or not the nonprofit has capacity or the new program is optimal for the community. The standard question on many grant applications—'How will the program be sustainable after the end of the grant period?'—generates better fiction writing than the local short story contest."

Barr believes that these practices produce other bad relationship problems between grantors and grantees. "In the last decade especially, foundations have made clear that they expect the work of nonprofits to add up to some benefit, impact, or results in the community. The expectations have gotten out of hand, though, when a request for a small grant requires a description of how the organization will effect 'systems change' or 'outcomes' with a small amount of short-term grant funding."

Linnell thinks the recent trend of some foundations of supporting coaching for leaders and managers is a positive one. It sends a message that it is healthy to ask for perspective, continue to learn, and adapt and grow as a leader.

She thinks that it would be an interesting experiment to extend a well-designed coaching program to board officers—especially board presidents.

But it is not clear if the forty-year-long penchant of philanthropy to propose (some might say "impose") management solutions en masse to grantees has been all to the best. Some feel that it has overemphasized particular management tools and processes. For Masaoka, the overall emphasis in conversation among funders on the need to upgrade nonprofit management has passed its "sell-by" date but hangs on as a kind of cultural artifact. "The meta-idea is that nonprofit leaders need to focus on management skills and tools. This was a good idea for the baby-boom nonprofits, where leaders came from movements (such as the women's movement and the Third World liberation movement) and needed to learn what the heck 'personnel' and 'accounting' were. Today's generation (and, of course, I'm generalizing here) knows about management. The meta-idea for them is to focus on building movements, building constituency—making the right choices rather than the right management processes."

Ryan tends to agree. "Sometimes, with their well-meaning passion for supporting better nonprofit management, funders can forget that management isn't everything. (And what goes for funders goes for the rest of us who, sadly, grew up to be the people who are passionate about nonprofit management.) But the truth is that nonprofits are not just instrumental entities churning out social impact at the lowest possible cost. And the nonprofit sector isn't just the sum of all that instrumental work. Nonprofits are also expressive—devoted to getting the job done, but getting it done in their own particular way that reflects their own particular values, worldview, or ideology. And the sector as a whole is the pluralistic sum of all those organizations,

and often a messy and inefficient one. The push by foundations for nonprofit mergers brings the expressive-instrumental tension into focus, especially if you stop to ponder why the many foundations pushing the idea—lots of them small and inefficient, and most of them with redundant overhead—don't themselves merge. They don't do it because it would mean giving up their own view of how to get things done. The good news of the last decades is that funders have begun to take nonprofit management seriously. But a little moderation is good, for the sake of our expressive selves."

Barr's nomination for the most unproductive prescription is the idea that "nonprofits should operate more like a business. This is such a can of worms," she says, "because it's undefined and uninformed. Of course, nonprofit entities need appropriate management practices to build and maintain a quality workforce, stable financial structure, and effective oversight. Nonprofits also usually need to employ practices from other fields such as education, community organizing, social work, design, and psychology. Is it harder or easier to run a nonprofit than a business? Why does it matter? It's a classic apples-and-oranges comparison, but it won't go away." Chiding philanthropy for its lack of consistency in providing the kind of shared infrastructure necessary to keep organizations refreshed in a constantly changing environment, Barr concludes, "In the last twenty years, the sector has professionalized and developed infrastructure organizations, skilled resources, and a growing number of management practices that seem to work. Foundations have encouraged professional management, quality staff leadership, and strong governance. In many cases, foundations have provided support for organizations to undertake capacity-building activities and have supported the development

of infrastructure organizations, educational institutions, and sector-specific research and resources. The attention span for this support is often short, though, and hasn't allowed enough time for organizations to develop the internal staff capacity to institutionalize new practices." (Another downside to this trend, Barr noted, "is the acceptance that the standard, institutionalized 501(c)(3) nonprofit is the best and optimal organizational structure for every community group. Even small nonprofits are told that they need to create strategic plans, management structures, board development, financial systems, fundraising models, etc.—an inefficient use of community resources.")

And so, as nonprofit leaders in 2012, we are now hurriedly trying to determine what "collective impact"—the latest wave of management theory espoused by foundations—means for our organizations. Inside this framework, are there positive and lasting shifts to practice that will improve the way nonprofits, foundations, and other stakeholders work across organizational walls toward common goals? Our cynical side cannot help but doubt it—but would that it were so.

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Creating Fertile Soil for the Merger Option

by Judith E. Alnes

A study done by MAP for Nonprofits and Wilder Research earlier this year shows that merging with another organization can be quite effective. But grants and contributions appear to be strong at first and then to decline over time, while income from services strengthens. As the author concludes, funders "may need to make their own long-term commitment more solid in that regard."

"Aren't there too many nonprofits?" "Aren't you, in fact, redundant?" "Couldn't you save money by merging with (fill in the blank)?"

For decades, there has been a persistent call by institutional funders for more mergers among nonprofits, but that drumbeat has been largely ignored. Is it any wonder? The call is not exactly positive when cast in the context of the above questions. There is nothing there to excite the individual nonprofit to action—no suggestion of reach and power and influence to be gained. Rather, the message suggests that heretofore neglected inefficiencies on the part of nonprofits can be addressed with the mere dissolution of their hard-won identity.

In the context of such a stultifying approach, many nonprofit leaders ignore the voices calling for mergers as an uninformed siren call. Why should nonprofits listen? The message minimizes the complexities of programming and community ownership/stewardship issues.

But what if the whole proposition were lighted differently to focus on the potential benefits in terms of power, agility, influence, and effectiveness? Might the conversation be more attractive to nonprofit boards? Appealing to nonprofits in a way that reflects the real reasons why nonprofits merge might, in fact, be a better approach, but we know that many mergers fail in the for-profit sphere. What can we hold up as potential outcomes?

With support from Greater Twin Cities United Way and others, MAP for Nonprofits collaborated with Wilder Research in July 2012 to perform a study examining forty-one nonprofit mergers of organizations based in Minnesota.[1] We aimed to add to the sector's understanding and adeptness regarding mergers. The mergers all included at least one service organization, and *merger* was defined as the integration of two or more separate organizations into one legal entity; in other words, one organization would cease to exist. The mergers in the study had to include a transfer of programs or services and of assets or staff.

The project started by ferreting out thirty factors that are believed to affect nonprofit merger success. This step was accomplished through focus group and key informant interviews with executive directors, funders, attorneys, consultants, and others involved in nonprofit mergers. Next, we selected a sample of forty-one mergers that had been completed between 1999 and 2010. Then, we conducted phone interviews with 201 leaders associated with the sample mergers, and completed financial analysis of Form 990 tax returns in the three years prior to merger, the first year of merger, and the three years following merger.

Reasons for Merging

The research found that:

- 93 percent of participating organizations said they pursued merger to increase service delivery.
- 93 percent reported that they wished to secure through merger the long-term financial viability of one of the merging partners.
- 75 percent said their reasons included the salvaging of services that might otherwise be lost.
- Relatively few reported that a primary reason for merger was to stave off imminent financial crisis (37 percent).
- 56 percent sought to expand services

to new markets and 29 percent sought to expand the types of services they could offer to consumers.

- Only seventeen of the forty-one participating organizations reported that merger was motivated in part to expand their donor bases. Eight were looking for greater staff expertise and five for additional physical space.

What happens after a merger? One unique aspect of this research is that it is the first to look beyond the merger process and assess what happens afterward in the operations and functioning of merged organizations. For purposes of the study, we identified the following outcomes as key indicators of success for merged organizations:

- Improved image, reputation, or public support;
- Improved, expanded, or preserved services;
- Increased quality of operations;
- Increased efficiency of operations;
- Improved financial stability; and
- Development of a positive organizational culture.

Then, we looked at whether there were any predictors in the circumstances of merging organizations or in the process for particular outcomes. We found that:

- Executives are key to the success of a merger. Of the mergers we studied, 85 percent had an executive "champion."
- Strong working relationships between executives prior to merger predict key post-merger outcomes, including service preservation, improved image, and financial stability.
- While boards are seldom unanimous in their willingness to pursue merger, strong board involvement prior to a merger predicts improved image or reputation following the merger.
- Seeing potential mutual gains prior to merger is associated with better organizational alignment after merger.

- Organizational cultures integrate more easily when a financial threat is present.
- Communicating and involving non-administrative staff positively affects merger outcomes.

Involving funders during the merger predicts financial stability and preservation of services after the merger. Funder advocates of a merger might pay particular attention to the implied promises when advocating such a move. Are funders in it for the long haul? Will the now unified organization receive less in grants than the previous two or three did?

The question of whether or not the mergers resulted in financial improvement was complex, and it was based on only twenty-one organizations, where complete records were available. The financial picture in the year of each merger was used as a baseline and compared against the finances three years after the merger.

The overarching finding of the researchers is that in the short term following a merger financial results were mixed and included declining cash positions—at least at first. However, since some of the organizations studied merged during the recession, a closer look on a longer time line may need to be taken to get a better sense of the longer-term financial outcomes of these mergers. The financial findings were as follows:

- The debt ratio of merged organizations improved in 48 percent of the cases, with 86 percent meeting the standard 2:1 debt ratio at follow-up.
- 52 percent improved their cash on hand, but only 38 percent had three months' cash on hand at follow-up.
- 52 percent experienced decreased revenue from contributions and grants (a frequent worry of many considering a merger), but as an aggregate the group saw 9 percent more revenue from these sources.

- 62 percent saw increased program service revenue, which amounted to 12 percent in aggregate.
- 67 percent saw increases in total expenses, and total expenses increased 8 percent, along with an aggregate 8 percent increase in revenue.

Conclusion

This study is thought provoking. Its results indicate that merging is a complicated process that requires sobriety about the financial results and clarity about the primacy of the ultimate social purpose being pursued. In addition, the study upholds the premise that merging is better promoted on the basis of better reach, power, and influence—although, with the right commitments from funders, financial strength should also be expected as a likely outcome. It was interesting to note that there was significantly more strength gained in service income than in grants and contributions. This suggests that as much as funders talk about the financial rationale for merger, they may need to make their own long-term commitment more solid in that regard. This move would be welcomed by nonprofit onlookers.

Note

1. The research report is available at www.mapfornonprofits.org/mergerresearch.

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Illuminating the Invisible: Mapping Austin's Adolescent Health System Using Value Network Analysis

by Maya Townsend, MSOD

This article describes how a group of service providers, funders, and policy makers used value network analysis to assess the adolescent health system in Austin, Texas, and mobilize for positive change.

IN AUSTIN, TEXAS, A DIVERSE GROUP OF service providers, funders, and policy makers came together to improve adolescent health. They ran into a critical issue: the adolescent health system was so complex, multifaceted, and dynamic that it resisted traditional analytical approaches. This article explains how the group used a powerful technique called value network analysis to help them assess the system, generate new insights, and mobilize energy for change.

The Context: Adolescent Health in Austin

Austin, Texas is a vibrant city—the hub for artistic and musical expression in the state and one of the major live-music capitals of the world. It is also a city with challenges. Between 2006 and 2010, an estimated 21 percent of youth in Travis County were living in poverty.[1] Other indicators of youth well-being in Austin were also alarming:

- Juvenile probation referrals were 65 per 1,000 in Travis County, compared with 43 per 1,000 for Texas as a whole.[2]
- The percentage of students dropping out in grades 7 through 12 was 3.3 percent in Travis County, compared with 2.7 percent for Texas.[3]
- 38 percent of middle school students

and 32 percent of high school students reported that they had friends involved in gang activity.[4]

Motivated by the desire to make significant improvements in the lives of Travis County youth, the Austin/Travis County Health and Human Services Department (HHSD) formed the Austin Healthy Adolescent (AHA) Initiative (www.ahainitiative.org) in 2009. The hope was that the AHA Initiative would make positive change in the health of adolescents.

Led by Austin HHSD staffer Nikki Treviño and facilitated by Omega Point International consultant Stephanie Nestlerode, the multi-stakeholder AHA Initiative leadership group created their vision early on in their process. They seek a world in which adolescents are active decision makers and fully engage in improving their own health and the health of their communities. By casting adolescents as active decision makers, the leadership group set the tone for their work. It would no longer be service providers and policy experts making decisions for youth; instead, youth would be deeply involved every step of the way.

The Challenge

Leaders of the AHA Initiative knew that it was impossible to achieve their

vision without understanding Austin's adolescent health system. Stephanie Nestlerode, who began serving as process facilitator when the AHA Initiative first formed, explained that "there are so many involved in adolescent health. We kept getting overwhelmed by who was involved. We found it hard to find leverage points in the complex, messy system that is health services in Austin."

Additionally, Stephanie says, "We had an inkling that parents, youth, and providers would look at things differently. Yet, services planning is very provider dominated. It is typically providers deciding what they're going to provide to youth based on need indicators, without bringing youth directly into the planning process." The AHA leadership group wanted to know how the different groups looked at health services and how well the current system served the needs of youth.

I was invited to bring network thinking to the AHA steering committee, and, in May 2011, I helped the AHA leadership group create an initial map of players in Austin's adolescent health services system. The map included service providers, funders, schools, and other organizations. However, we were missing something critical: the youth. We needed to get their voices in the room and understand

their perspectives. We decided to do this through value network analysis.

The Method: Value Network Analysis

Value network analysis (VNA) was developed in the 1990s by Verna Allee, the founder of ValueNet Works. At the time, she felt that business process reengineering techniques missed the mark, since they assumed that the goal was to create a completely replicable, predictable process—which didn't seem achievable in the messy reality of contemporary organizations. Allee wanted a technique that would show the dynamic nature of systems, the flow of activity through a system, and the role of people in that system. Through trial and error, Allee built VNA using what she knew about complexity and network sciences.

Like any network, value networks consist of nodes and flows. In this case, the nodes are roles—the actual contributing roles that participants play in the network. Examples of roles are Problem Solver, Sponsor, Designer, and Customer. Participant names are not used, since people are often transitory in organizations while roles remain more constant.

The flows in the value network are transactions: transfers of role-generated deliverables. Fees, reports, feedback, and services are all types of deliverables. Transactions can be *tangible*—mandated by the system—or *intangible*—representative of "extras" that people provide in order to help the system move more efficiently or effectively. For example, when sending a report to a client, the report is the tangible, mandated deliverable. The follow-up call to make sure the report was received is usually an "extra"— an intangible. It's not mandated by the contract between consultant and client yet is helpful for maintaining trust and communication.

The ValueNet Map for value network analysis (figure 1; see following page)

Some Basic Assumptions Underlying Value Network Analysis[5]

- The natural pattern for creating value through collaboration is a network pattern.
- The emergent purpose of a network is revealed through the pattern of roles and exchanges within the network. Sometimes the espoused purpose of a network is at odds with what it really produces.
- You cannot administer a network. You can only serve it through the roles you play. Network strategies fail when people try to run a network like a hierarchy.
- People—not processes—are the active agents in a value network. Only people can make decisions and initiate actions in organizations and in networks.
- Every business process has a hidden network pattern of human interactions. Traditional work design approaches ignore the critical human interactions that build relationships and make the processes work.
- The fundamental level of value creation is the exchange. Value is not limited to financial value—any exchange of goods or value puts us solidly in the realm of economics.
- Every interaction in a network is an opportunity to create value or build relationships. Network interactions have intangible value even when financial transactions are not involved.
- The dynamics of value in a network are dependent upon network effects. One cannot determine the value of the network by simply adding up all the roles and their outputs.
- Patterns of human interactions and intangibles are leading indicators for success. Network patterns can show work processes at risk as well as how companies build strategic capability for the future.
- The success of an enterprise depends on how efficiently it can convert one form of value to another. As individuals and firms we must be able to convert our material and intangible assets into more negotiable forms of value.

shows the template for an analysis. Ovals represent roles, which would be labeled according to the function they provide, such as Writer, Designer, or Customer. Lines represent transactions: deliverables that transfer from one role to another. The solid green lines represent tangible, mandated transactions, while the dotted blue lines represent intangible "extras."

Actual value network maps have many more roles and transactions. Figure 1 simply shows the basic components and format of a value network.

The Process

Design. Since its inception, the AHA Initiative has been collaborative and participatory. Planning the VNA process was no different. In late 2011, the leadership group convened to decide on their approach to understanding youth's and service providers' perceptions of health services. VNA would help the group to understand the micro level of Austin's adolescent health services system, and we would learn how services are *actually* delivered by service providers and received by adolescents. Once it was agreed that we would pursue the mapping initiative, the group chartered a team to guide the process. This team consisted of youth, service providers, and funders.

Over the course of several meetings, team members grappled with the important issues of scope and boundaries as well as definition of terms. What exactly did we mean by *youth?* What geographic area would be within our field of reference? And, most important, what did

Figure 1: **ValueNet Map for Value Network Analysis**

Roles *are the actual contributing roles that participants play. Roles are typically more specific than job titles or departments. Examples: Problem Solver, Designer, Patient, Student.*

Tangible deliverables *are formal, structured, contractual, or mandated. Examples: Fees, services, invoices.*

Intangible deliverables *are informal, unstructured, or ad hoc. They help things work smoothly and build relationships. Examples: Feedback, advice, referrals.*

Adapted from Verna Allee & Oliver Schwabe.

we mean by *adolescent health services*? After extensive discussion, the committee settled on some parameters for our work.

First, youth were defined as anyone between the ages of ten and twenty-two. Second, the scope was limited to Travis County, which included Austin and bordering communities of Round Rock, Bee Cave, and Pflugerville, among others. Third, the team also determined that we were interested in youth across all income brackets and risk groups, not just in lower-income families or high-risk groups. Fourth, the team came to agreement on what *adolescent health services* would mean for the purposes of our work together. Ostensibly, adolescent health services could include anything from routine annual physicals and broken limbs to sexually transmitted disease testing and prenatal care. Since considerable attention and

resources in the community were already devoted to sexual health issues, the team took sexual health off the table for the mapping effort. Instead, we decided to focus on what youth had identified as most important in a series of focus groups conducted earlier in the year—under-the-radar issues that receive little organized energy or attention in Travis County:

1. Alternatives to drugs and alcohol;
2. Resistance to peer pressure;
3. Nutrition; and
4. Physical activity/exercise options and outlets.

With our definitional terms, scope, and boundaries identified, we were ready to map.

Discover. In early 2012, the AHA Initiative convened youth, policy makers, parents, and service providers for two sessions designed to map the current and

ideal future adolescent health system. In the first session, held in February, we developed maps of the current state. We asked youth and service providers, in separate groups, to identify what they would do (or what they thought youth would do) in response to three scenarios developed by the planning team.

Our first step was to confirm the roles involved in the scenarios. The team had brainstormed an initial list, which we refined as a group. One interesting outcome: the team had neglected to include a bully role, which was critical in the first scenario. Youth also added the role of authority figure for events at school.

Our second step was to identify what happened in each scenario. What would the person do who was being bullied, feeling peer pressure, or seeing his or her friend make bad choices about alcohol? We documented all of these transactions.

We closed the meeting with a "show and discuss" session in which youth and service providers shared their maps with each other, answered questions, and expressed reactions to the maps.

We held a second meeting, in March 2012, with the same group plus many additional participants (the buzz had been good, and more wanted to participate). In this meeting we reviewed the two maps via a series of skits in which mixed groups of youth and service providers showed the important things they had learned from the first meeting. Then, we created groups to examine each scenario individually and answer the following questions:

- In an ideal world, what would happen if this young person had this problem?
- What would you add, change, or delete from the youth map or the service provider map?

The Maps

We left our first mapping meeting with two diagrams: one created by youth participants and the other created by service providers (figures 2 and 3; see following spread). In each, roles are laid out in similar positions. The Young Person is always in the center. Then, starting at twelve o'clock and proceeding clockwise, we find the other roles: Friends, Info Resource, Family, Health Care Professional, Counselor, Community Resource, and Trusted Adult. On the youth map, two additional roles are included: Authority and Bully.

Lines represent the interactions between roles. Normally, the tangible, mandated activities are solid red lines and the intangible "extras" are dotted blue lines. One interesting outcome of the youth mapping discussion was the addition of a third type of line, to represent activities that, while not formally mandated by the system, are, however, socially mandatory. Is going to friends

first when you have a problem mandated by the Austin adolescent health system? No. But it is social suicide to circumvent friends, according to the youth mappers. These kinds of socially mandatory activities are marked solid blue.

Numbers show the sequence of activity, or steps. If you look at the youth map, you'll see that a number of actions can happen almost simultaneously: that's why they all have the same number label. For example, the Young Person goes to Friends to Seek Advice/Support (1), a Trusted Adult to Seek Advice (1), the Info Resource (Internet) to Seek Support (1), and to the Family to express Concern (1). In the bullying scenario, they'll also go immediately to the Bully to Fight (1). Some of the actions/steps in this particular group are considered mandatory (represented by solid blue lines) by the youth. Not fighting, for instance, would have been socially self-destructive.

There's another unusual activity on the youth map: Porn. When sequencing activities, the youth assigned Porn the number zero because, they said, young people explore sex online all the time and before they have any sexual-health-related issue. We had encouraged youth to be real: we wanted to hear the true story of what happened in their world. Their willingness to include porn was an early indication that they were taking risks and putting the unblemished truth on their maps.

What We Learned

We learned a tremendous amount from our mapping initiative. A few of our most significant realizations related to different worldviews, the importance of trusted adults, the challenge of authority, and the challenge of immediacy.

Different Worldviews. A quick look at the two maps side by side shows that service providers and youth see the world quite differently. Service providers

see much more activity between the healthcare professional, counselor, and community activist (in the three o'clock, five o'clock, and six-thirty locations on the maps). In comparison, the lower-right-hand corner of the youth map is positively sparse; there are very few interactions between service providers.

This gave us our first insight: service providers' view focuses on service provider activities, not youth activities. The providers' time is dominated by mandated coordination between roles (represented by solid red lines). Amid all of those mandated activities, they provide only three sources of assistance to the young person: treatment from the Health Care Professional, support from the Counselor, and help from the Community Resource. In retrospect, it seems perfectly reasonable that service providers would be consumed by mandatory coordination activities. However, it was genuinely surprising to service providers in the room that their view of the world was so very different from the youth's view.

The Importance of Trusted Adults. When we look at the youth map, we see that most of the live interactions are between the Young Person, Friends, and Trusted Adult (the Info Resource, which is involved in many activities, represents the web and, therefore, isn't live). According to our youth mappers, young people always go first to their friends, since, socially, it is taboo to circumvent them. However, friends often give inaccurate advice, which our mappers knew and represented on their maps (see the solid blue line labeled "Inaccurate Info" going from Friends to Young Person).

It soon became clear that the Trusted Adult was a critical figure in youth's process of solving health-related challenges. This is the person who gives accurate advice, listens compassionately, helps young people think through their options, and asks helpful

Figure 2: **Map Created by Youth Participants**

| Step 0 | Step 1 | Step 2 | Step 3 | Step 4 | Step 5 | Step 6 | Step 7 |
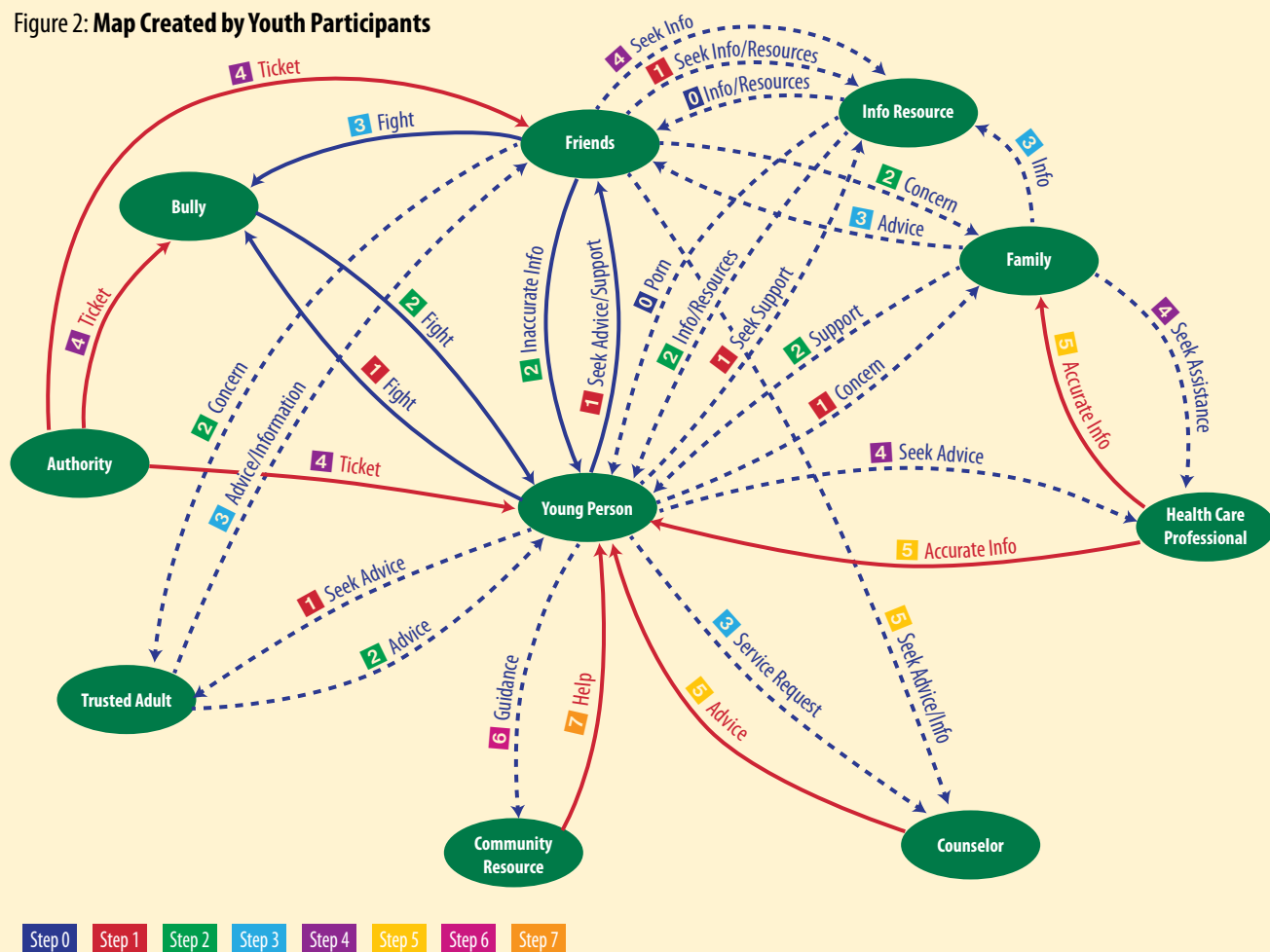
questions. The trust between the adult and the youth is significant and fragile. We learned that most adults in young people's lives aren't trusted; they have too often broken confidences. Instead, young people go to someone just a little bit older—often an older sibling or other family member—who is not part of the formal adolescent health system.

We identified the Trusted Adult as the "heartbeat" of the system. Without a trusted adult, youth potentially have no direct resource that can provide accurate information and help them determine a course of action. Youth without trusted adults suffer, since they are forced to rely on inaccurate information from friends and on online information (the Info Resource).

The Challenge of Authority. One of the most startling discoveries related

to the interactions between youth and authority figures was that many youth have their first contact with a non-family authority figure when a school principal or security officer writes them a "ticket." This is something that happens commonly in Austin schools: any infraction of school rules is punished with a ticket requiring offenders to pay a fine or perform community service. If they don't pay, or if they collect a certain number of tickets, they are suspended. The zero-tolerance bullying policy includes not just the bullying but self-defense against bullying, too. As a result, all young people involved have incentives to stay away from authority figures lest they get punished.

Youth didn't want their first contact with authority to be punitive. According

to our mappers, young people reach out to the Counselor for support in action/step 3 and to the Health Care Professional for advice in action/step 4. Neither provides a response until action/step 5. By that time, the Young Person has already initiated a fight, the Bully has fought back, the Friends have escalated the fight by getting involved, and the Authority has punished them all with tickets.

This realization was alarming for many service providers in the room. After some initial defensiveness ("I would never betray a confidence"), they began to see what was happening. Service providers realized that the actions of some had negative impacts on their entire group. Despite their reluctance to admit that betrayals occurred, they had stories of colleagues who had shared

Figure 3: **Map Created by Service Providers**
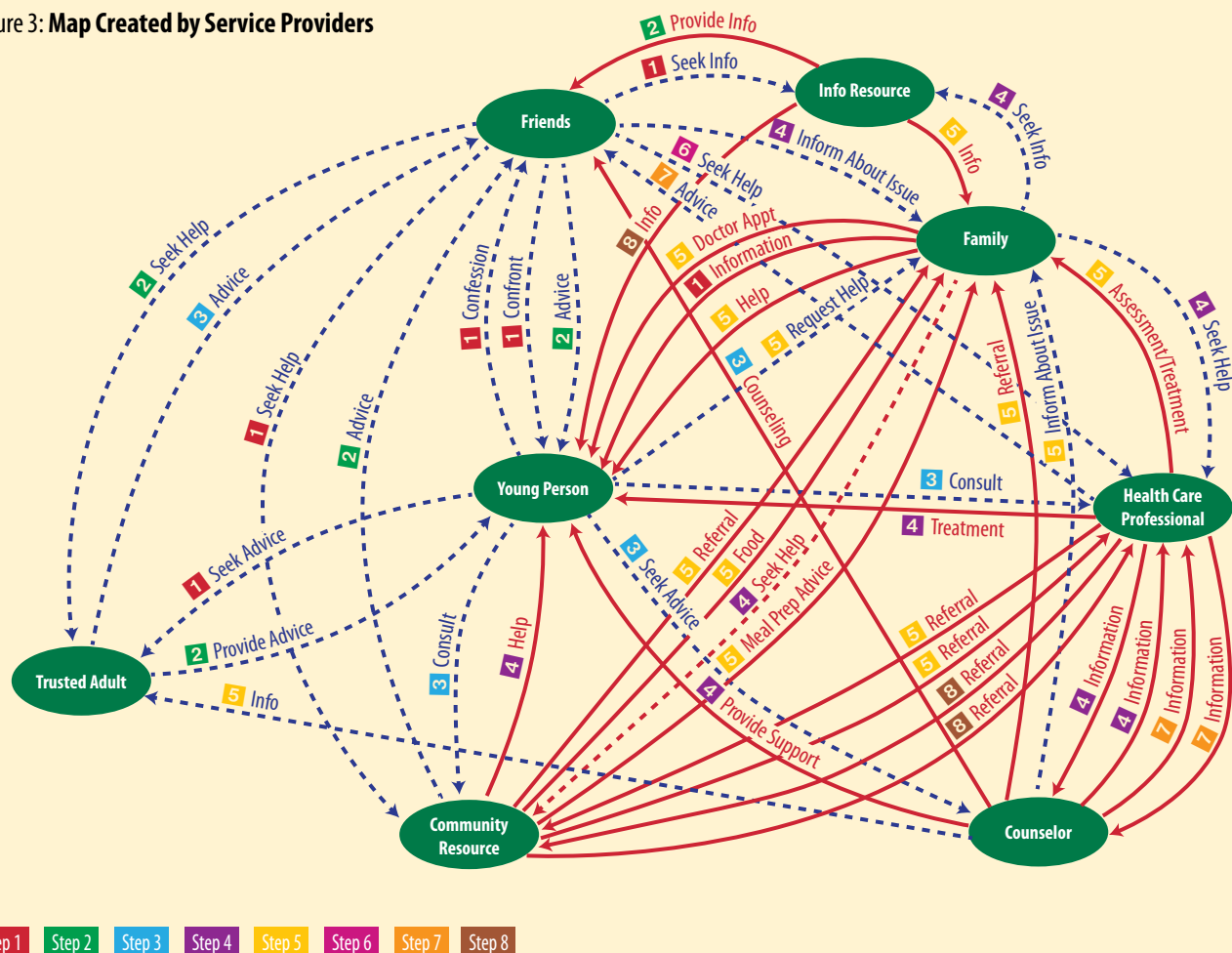
something that was supposed to be confidential. Of course, adults are required to report certain things. However, there were also frequent misunderstandings between youth and service providers about what would be held confidential. A youth might say, "I really feel like hurting him," which might alarm a provider into sharing the confidence, when the youth was just blowing off steam and had no intention of actually doing damage. Or a provider might pull in a principal or parent when the youth really wanted to keep the matter contained. Then youth form the impression that they can't trust adults to keep confidences.

The Challenge of Immediacy. Another challenge we identified is the issue of immediacy. When in a difficult situation, a Young Person often feels as though he

or she can't wait to get help. The youth will reach out extensively—to Friends, a Trusted Adult, Family, a Health Care Professional, and a Counselor. He or she will look up information online. The most immediate support comes from Friends, the Trusted Adult, Family, and the Internet. Getting formal support services takes a long time. As one youth said, "You feel like crap while services are figuring out resources." Instead, youth take action.

The Future

During our second session, we spent considerable time talking about how to handle these issues—different worldviews, importance of trusted adults, and the challenge of authority, among others. Several priorities emerged from our conversation. These priorities are now

informing decisions about action by the AHA Initiative. They are:

- *Building trust between service providers and youth.* The AHA Initiative is sponsoring workshops and leading conference sessions to help service providers learn how to build trusted relationships with youth.

- *Placing youth at the center of healthcare service decisions.* The AHA Initiative is working to develop a method for helping healthcare organizations involve adolescents thoughtfully in policy and program decisions that affect them. The Initiative is continuing education for service providers to help them understand what the world looks like to adolescents and how the best intentions of service organizations can sometimes go awry.

The Three Scenarios

SCENARIO #1: A fourteen-year-old's best friend from the neighborhood is getting seriously bullied. A group of girls are saying that she's too fat to ever have a boyfriend. The friend says it's no big deal, but some of the stuff is pretty harsh. She says that she is worried about her weight but her family has horrible eating patterns, she doesn't know how to cook, and she has no money. *How could she get help?*

SCENARIO #2: A thirteen-year-old boy's friends all boast that they've had sex. He doesn't have a girlfriend and his friends are teasing him a lot about that. There's no one he really likes right now, but he feels a lot of pressure to "hook up." He wonders if something's wrong with him. Shouldn't he have a girlfriend already? *How could he get help?*

SCENARIO #3: A seventeen-year-old girl has just been told by her friends that they're going to quit hanging out with her. They say that she's too unreliable and stands them up too often. They think the girl is drinking too much. In fact, at a recent party she passed out and couldn't remember what happened. It seems like her life revolves around drinking these days (when to do it, how she'll get it, etc.). She wonders if maybe she should talk to someone about what's happening. *How could she get help?*

- *Fleshing out the maps.* The youth involved in the mapping sessions represent a small subsection of Travis County youth. To help ensure the maps are valid across socioeconomic, geographic, school, and personality differences, the AHA Initiative is engaging more youth in validating them.
- *Use of technology.* The conversations reinforced the leadership group's suspicion that youth rely more on technology than service providers realize. With the help of a youth technology

organization, the AHA Initiative is working on programs such as a text-based Q&A service for sexual health questions and an alternative to Facebook for young people.

Conclusion

This article is just a peek into the beginning stages of our use of value network analysis to tease out priorities for the future work of the AHA Initiative. While the VNA didn't solve the problem—Austin's adolescent health system is too complex for that—it did help us focus and mobilize energy, quickly and easily brought a diverse group of stakeholders together, created clarity about how a deeply complex system operates, surfaced the differences in perspective that are meaningful, and helped stakeholders converge on agreement about priorities. And it did what we most needed it to do: give us the big picture of how youth and service providers experience the system. Other VNA applications, unlike ours, have resulted in immediate solutions. For example, the Mayo Clinic used VNA to shorten a process from three and one-half months to four weeks.[6] While we don't have concrete solutions to share yet, we offer this methodology in the hope that others can learn from our experience and benefit from VNA.

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Nonprofit Accountability and Ethics: Rotting from the Head Down

by Woods Bowman

From lying to staff to conflicts of interest, unethical behavior in nonprofits abounds. Here the author outlines three particularly relevant markers of a responsible organization as well as four trends shaping future standards for nonprofits.

Editors' note: This article was excerpted from a chapter in a forthcoming book, Practicing Professional Ethics in Economics and Public Policy, *by Elizabeth A. M. and Donald R. Searing, published by Springer. Used with permission.*

ARGUABLY, THE PUBLIC HOLDS nonprofits to higher ethical standards than government or businesses. Over 25 percent of Americans report having "a lot" of confidence in charitable organizations compared to 9 percent for government and 7 percent for major corporations,[1] but do nonprofits deserve that confidence?

An article earlier this year and many newswires published by the *Nonprofit Quarterly* have reported stakeholder rebellions in response to nonprofits ignoring their responsibility to stakeholders. Does Susan G. Komen for the Cure sound familiar? These responsibilities extend well beyond checks and balances in the financial system or misreporting performance statistics—they extend to governance. Do nonprofits listen to stakeholders? Are they in the habit of taking money from them—and in their name—and then ignoring them until they shout?

Even in the Small Stuff, Nonprofits Are No Great Shakes . . .

Thanks to the Ethics Resource Center, there are fairly reliable and comprehensive data on ethics in nonprofits, such as its *National Nonprofit Ethics Survey.*[2] The best news is that nonprofits generally have a strong ethics culture compared to business or government: 58 percent of employees in nonprofits report a strong, or strong-leaning, ethics culture compared with 52 percent in business and 50 percent in government. The difference, however, while statistically significant, is not impressive. Furthermore, a strong ethics culture in nonprofits is only one-fourth as prevalent as a culture "leaning" in that direction. Clearly, there is more work to do, even at the top of the scale.

Slightly more than half of employees in nonprofits observed misconduct in the previous year, and this is roughly on par with that observed in the other sectors. "On average," the report states, "nonprofits face severe risk from a handful of behaviors: conflicts of interest, lying to employees, misreporting hours worked, abusive behavior, and Internet abuse." The value of a well-implemented ethics program is beyond question. In organizations with little to no ethics and compliance program, 68 percent of employees observed two or more types of misconduct over the course of a year. This is significantly reduced to just 22 percent in organizations with a well-implemented program.

Although 60 percent of nonprofit employees who observed misconduct reported it, nearly 40 percent of witnesses remained silent, due largely to feelings of futility or fear of retaliation. Indifference is harder to combat than fear. Several famous controlled psychological experiments clearly demonstrate that most people in a crowd will wait for someone else to take action—whether it is helping someone in distress or reporting a crime. Even if employees do not fear the kind of retaliation that is forbidden—discharge, demotion, stalled advancement, and reassignment—they may not want to "get involved" in other people's affairs. "It's not my job," they might say. The best ethics programs address this perverse psychology by providing training that sensitizes people to their personal responsibility in addition to the rules and regulations.

Although nonprofits may believe they have a strong ethical culture, this does

not always translate into better ethical behavior or better reporting of unethical behavior. So possibly nonprofits do not deserve the public's confidence.

. . . But the Big Stuff Sets the Stage

"Fish rots from the head down," as the saying goes. Applied to nonprofits, it describes accountability on the largest possible scale. Accountability involves being "answerable" and "responsible." Answerability describes a family of relationships between a nonprofit organization and external entities, implying sanctions or other forms of redress. Responsibility is a "felt sense of obligation," and responsible organizations respond to stakeholders' needs and views by "revising practices and enhancing performance as necessary."[3]

A sense of autonomy easily leads to a disregard for actively seeking input from stakeholders. Revealing a distressing lack of concern, "over 70 percent of nonprofit board members believed that they were accountable only to their board or to no one."[4] Executive directors of *community-based* organizations in three low-income neighborhoods of Philadelphia defined the needs of their communities differently from the residents they served. "Nonprofit directors across neighborhoods held more similar views with each other than they did with residents of their own communities, even though the communities were quite different."[5] Granted, this research was limited to one city, but there is no reason to believe that Philadelphia is unique.

Formally, nonprofits are answerable to state attorneys general and (if they are also tax-exempt) the U.S. Internal Revenue Service, but they ought to feel answerable to the people they serve and to the public as well. Nonprofit status, tax exemption, and deductibility of charitable contributions are legal artifacts— privileges granted by the public's elected representatives to organizations run by law-abiding, personally disinterested, socially minded individuals performing socially desirable activities. Most nonprofit organizations may not discern the general public as a major actor, let alone the dominant one, yet it is the ultimate source of every privilege they enjoy.

Given generally weak public supervision, nonprofits aspiring to be ethical organizations must shoulder greater responsibility. It behooves all nonprofit organizations—but public charities particularly—to have a felt sense of obligation toward their constituents and toward the public.[6] One can observe an organization's sense of obligation in its actions.

What Are the Markers of a Responsible Organization?

There are many ways to identify responsible organizations, but three are particularly relevant to nonprofits.

Marker 1: Responsible organizations are true to their missions. Nonprofits are increasingly relying more on earned income and less on donations and grants. Consequently, "missions of nonprofits engaged in commercial activities will grow more ambiguous through time. New demands on senior management to pay attention not only to nonprofit but to for-profit goals, the adoption of new structures such as joint ventures that create mixed missions and messages for participating entities, and the tendency of senior management to look at activities from the perspective of their contribution to revenues may create an environment in which nonprofits must work especially hard to keep their charitable mission in daily focus. Increased responsibility will likely fall on boards of directors of commercial nonprofits to ensure that a dilution of charitable mission does not occur."[7]

This is not to say that nonprofits should avoid commercial ventures or changing their missions, but they should do so deliberately after a process of soul-searching that respects their stakeholders' interests. Nonprofits should keep this in mind: actions and methods that are acceptable in for-profit businesses may be grotesquely inappropriate for nonprofits to practice. Nonprofit hospitals across the country have recently come under heavy criticism for being overly aggressive in collecting debts from "charity" patients. Some of them even lost their property tax exemption as a result.

Marker 2: Responsible organizations act as if outcomes matter. Doing good requires doing the right thing, not just the easy thing. Feeding America (formerly America's Second Harvest), the preeminent food bank network in the United States, began as a way to channel surplus foodstuffs to hungry people. However, these items were typically nonperishable, which provided a diet that was high in carbohydrates and low in protein. As one of Feeding America's executives explained to me, the organization became concerned that it was not providing recipients with a balanced diet, so it began to supplement its gifts in kind with fruits, vegetables, and meats purchased in the open market.

Marker 3: Responsible organizations are candid. They do not wait for others to reveal suspected misbehavior. They police themselves, and they share the results of their investigations with the public. In 2004, Oxfam International responded to a tsunami in Indonesia but temporarily suspended its efforts when an internal audit uncovered "financial irregularities."[8] Oxfam could have conducted further investigations without suspending aid to avoid raising questions, but it took the more responsible course.

By contrast, trustees of the J. Paul Getty Trust of Los Angeles, one of the

world's richest art institutions, appointed a committee to investigate charges of financial mismanagement and dealing in stolen antiquities ten months *after* critical newspaper stories first appeared, and then *only after* California's attorney general opened an investigation.[9]

Four Trends Already Shaping Future Ethical Standards for Nonprofits

Ethics is always evolving. What was acceptable behavior in one era may be discouraged—and even punished—in a later era.

Trend 1: Small donors will demand that charities pay the same deference to their wishes and expectations that these charities have always accorded large donors. Do you remember the unprecedented public generosity following the tragedies of September 11, 2001? Donors presumed that the receiving charities would use their money to provide relief for families of victims. Many of them became angry upon learning that half of the donations to the American Red Cross went for "investments in volunteer mobilization, chapter development for response to weapons of mass destruction, expanded blood security, and continuity of operations efforts."[10] Three years later, Doctors Without Borders, responding to a tsunami that destroyed parts of Southeast Asia, set a new ethical standard when it ceased fundraising after only three days, once it determined that it had raised sufficient funds.[11]

Trend 2: Courts will become less tolerant of sweeping generalizations and vaguely misleading statements made by charities in the course of fundraising. According to legal briefs, commercial solicitors working in Illinois for Telemarketing Associates told prospects that a "significant amount of each dollar donated would be paid over to VietNow," a charitable veterans assistance organization. In fact, the contract provided only 15 percent for VietNow, which in turn spent only 3 percent of its $1.1 million share on charitable programs. The attorney general of Illinois prosecuted Telemarketing Associates for fraud (though not VietNow).[12] The case went all the way to the U.S. Supreme Court, which sent it back to the trial court for a hearing on the merits, whereupon the parties settled off the record.

It may not sound like much of a victory for honesty in fundraising, but be forewarned: deception may be fraudulent. It is certainly unethical.

Trend 3: "The nonprofit community in the United States (and increasingly elsewhere) has begun to shift its attention from measuring outputs as indicators of progress to measuring outcomes."[13] To continue with the disaster relief example: *outputs* are things like meals served, bottles of water distributed, etc., while *outcomes* are measured in terms of the well-being of victims. Outcomes might be the proportion of displaced persons whom the agency housed, fed, and assisted medically, or the average

length of time that people lived in shelters before finding permanent replacement housing.

Trend 4: More regulation. A minimal ethical standard is obedience to the law.[14] The U.S. Senate Finance Committee recently considered—before rejecting—staff proposals requiring nonprofits to establish, approve, and review program objectives and performance measurements and report the results to the IRS on their 990 forms. But, because of the third trend above, the issue is unlikely to go away. The IRS is taking an increased interest in how nonprofits manage conflicts of interest. The Form 990 now includes a question about the existence of an organizational policy, and the Form 1023 (Application for Recognition of Exemption) has an appendix containing a sample policy. Since the IRS rarely does anything gratuitously, it seems likely that conflict-of-interest regulation will eventually find its way onto the public agenda.

Conclusion

In some ways, our financial models are a setup for irresponsibility because they often have us paid by one stakeholder to provide service to another. This interrupts the direct line of accountability between customer and provider. Nonprofit constituents often cannot vote a nonprofit leader out of office, nor can they necessarily stop using the service. Thus, nonprofits have a greater power advantage relative to the people they serve than for-profit businesses have relative to their customers—or than politicians, arguably, have vis-à-vis constituents.[15] More and more often, however, perhaps aided by social media, stakeholders are realizing that they can protest unaccountability.

The Ethics Resource Center's report states, "An enterprise-wide cultural approach to organizational ethics creates an environment in which ethical behavior occurs for reasons beyond deterrence and sanctioning by authority." A strong culture features four major components: (1) ethical leadership, (2) supervisor reinforcement of ethics, (3) peer commitment to ethics, and (4) embedded ethical values. Are you and your organization prepared for the integrity needed to survive?

Notes

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The Importance of Linking Leadership Succession, Strategy, and Governance

by Thomas Gilmore

Whether focusing on strategy, governance, or succession, one issue cannot be disengaged from the others. The author lays out a step-by-step process to help nonprofits link the three areas in support of an organization's performance.

Editors' Note: This article has been adapted from a Center for Applied Research (CFAR) briefing, and was previously published on the Nonprofit Quarterly's *website on September 26, 2012 .[1]*

MANY WRITINGS STRESS THE importance of a board's thinking about leadership succession as its most critical task.[2] Yet, too often we frame succession as foreground without fully tending to the related background. Succession is often wickedly intertwined with the state of the board's functioning and the enterprise's strategy. Similarly, working on governance is often triggered by succession and linked to strategy in terms of new competencies that need to be on the board. It is rare that one of these three can be the sole focus without consideration of the other two areas, but their segmentation is clear in the three different professional groups that offer services in each of these areas:

- *Strategy:* Strategy consulting firms;
- *Governance:* Organizational development and process consultants; and
- *Succession:* Executive recruiters and search firms.

There have been some recent incursions of each of these professional groups into the others' business: big search firms are moving into onboarding and coaching, and strategy firms are beginning to address governance issues in the wake of new attention to boards.

The optimal sequence of the above three key processes would be excellent, up-to-date governance approving a strategy that informs the selection of a great leader who executes and leads strategic renewal—as the environment demands—under the board's ongoing oversight. But organizations cannot count on taking up developmental issues in the optimal sequence, especially in today's fast-changing environment. This article offers an overview of the challenges of sequencing these intertwined issues, and the imperative that they be thought of in a woven, recursive way across time rather than a simplistic, linear sequence.

Three Common Dilemmas in Leadership Succession

The three processes of strategy, succession, and governance are linked in ways that often create the following three dilemmas:

Misalignment between the board's readiness and leadership succession. Often, a long-tenured leader leads to atrophy of the board's vitality and increases its dependency, especially when the leader is successful. So, when that leader leaves (on his or her own, or upon being invited to step down), a key support to the board is missing as members think about strategic shifts and the implications for succession. Leaders are often in denial about when their effectiveness is losing its edge and when is the appropriate time to leave. Ken Olsen, the legendary founder of the Digital Equipment Corporation, said, "There's only one measure of success and that is, five years after I'm gone, how

is the company doing. I will accept no accolades until five years after I'm gone. I may avoid that by not going."[3] Yet boards grow dependent on the CEO and often find it difficult, with a long-tenured leader whose earlier work boards greatly value, to have the conversation about leaving.

Misalignment of the strategy with succession. In facing leadership succession tasks, a "good enough" strategy is essential for a board to define the scope of the leadership role and to make a high-quality selection of a talented organizational leader. Yet, if there are major strategic dilemmas, an outgoing leader—especially if the departure is based on performance or a conflicted working alliance with governance—is not in the best position to support the board in working through its vision. This dilemma may be heightened if the leadership search is caused by major differences in opinion about the strategic direction of the organization among board members; candidates may be reluctant to apply under such conditions, and the board may have difficulty reaching a choice and supporting the new leader. In one organization studied by CFAR (the Center for Applied Research), the successful applicant made it clear to the search committee that he would only accept the position under the condition that they support a new direction. Yet a key board member had told the current staff that "we put the ship in dry dock, lifted up her skirts, and pronounced her shipshape," communicating to them his commitment to the current strategy. For several years, the new leader struggled with the splits in the board until a new chair brought in a third party to work through differences and align the board with the chosen leader.

Mismatch between the board's capabilities and strategic development. A board's membership and tenure, often a valuable source of institutional memory, can be ill suited to its role in oversight of significant strategic change that its CEO is driving. In professional associations, people often rise to governance as an honorific for long, distinguished service. Yet, when facing significant changes in the environment—such as new technologies, new delivery mechanisms, and different preferences in younger generations—the board may lack members with sufficient experience with these new phenomena—work that requires "generative" thinking.[4] Strategy work involves thinking about the future threats and opportunities and the needed core competencies for the organization to succeed—what Peter Drucker has termed "the theory of the business:"[5]

- Assumptions about the environment of the organization;
- Assumptions about the specific mission of the organization; and
- Assumptions about the core competencies needed to accomplish the organization's mission.

If the CEO is driving this work, he or she may find splits in the board that hurt the working alliance with the leader. Sometimes, this work is taken up in conjunction with succession. But often search consultants do not have the depth of experience to staff good high-level strategic thinking or, especially, to work through significant differences that may have triggered the succession.

The corporate-sector case of Home Depot illustrated the interdependence of strategy, governance, and succession. The flat performance of the stock suggested questions about the strategy. This, combined with the high compensation of the CEO, led to the loss of his dominant coalition on the board, and he stepped away. This triggered a second order change, with four members of the board stepping down. The incoming CEO (an insider) put in play a significant shift in strategy. Let's look at some other cases that illustrate the intertwining of these three related processes and how different sequences play out.

Intertwining Strategy, Governance, and Succession: Three Case Studies

1. When Strategy Leads

The board chair and CEO of a professional society initiated a strategic planning process. Believing that the field was changing dramatically, they collaboratively created an ad hoc committee deliberately dominated by Young Turks and with only a few current board members. They crafted a strategy process as a Trojan horse for working on board changes by creating the visibility needed for these younger leaders to become board members. There were several important interactions with the board along the way, and a few key overlapping members prevented an unproductive split. Toward the end of the process, the CEO surprisingly announced his intention to resign for his own career reasons. At the final retreat, where the strategic committee engaged the board to get the plan adopted, the committee linked the strategy going forward to the key competences that guided the job description for a new leader. An executive search firm found a new executive director with the competencies to fit the strategy, and the board supported transition work with the new leader to ensure good working alliances with the board, staff, and members. After a year with the new leader, the chair of the strategic planning process—now on the board—was charged with leading a yearlong board development process.[6] The process focused the new leader and the board on the issues in implementing the strategic plan. As board members became more actively engaged, they realized that they needed more protected time for strategy. They committed to a two-day summer retreat during which they began

to reshape the strategy of the organization with the active support of the new leader and her reconstituted top team.

2. When Board Development Leads

The leadership of a freestanding hospital during the peak of the managed care era realized that the organization needed to align with one of the big systems in the city for bargaining power with insurers. The CEO realized that the board was neither knowledgeable enough nor strong enough to navigate the issues—likely to be highly complex and possibly divisive—in choosing a system to join. He hired an expert with deep knowledge of the significant trends in healthcare to brief the board, and engaged CFAR in facilitating histories of future scenarios[7] that challenged the board members to best fulfill their stewardship role by looking back from a decade hence at each of the two alternatives to explore. The board was able to come to a decision (by one vote) on which system to join. Leadership changes followed, in the wake of this decision, as the hospital became one of several in a system. A new strategy to take advantage of its system membership also followed.

Of the three issues discussed herein, board development is the least amenable to being addressed in isolation. An encapsulated "board development" frame often labors mightily to shuffle structures and process with little progress in actual results. Talented people have very limited time, and the most powerful way for the board to develop is via strategy conversations or leadership search work. One organization was able to make significant changes in governance (smaller size, true corporate board versus representation of member hospitals) because it looked deeply at future challenges and saw the need for the changes. At another institution, when a new leader was appointed, the board chair invited the new CEO to propose to the board nominating committee some people who would bring strengths related to the directions that she and the board had agreed to in the succession.

3. When a Leadership Transition Leads

An advocacy policy institute had hired a leader who left within a year when both he and the board realized the misfit. A second search, shaped by insights from the failed succession, yielded a new leader who was charged by the board with developing a new strategy. This individual came in, engaged the staff, and selected board members in crafting a new strategic direction that ended up consolidating some programs and adding new competencies in communications and development to the organization. In the wake of the new strategy, especially with regards to development, the board took on new challenges. In hindsight, it seems that this effort would have been more powerful if the leader had built his team before undertaking the strategy work (perhaps six months to a year after taking over). We often see a new leader taking up strategy in compliance with the board's request, rather than within the rhythms of his or her transition and understanding of where the organization is in its annual cycles (of budget, planning, work, and so on).

In each of the situations presented above—whether the entry point is board development, leadership succession, or strategy—there are inevitably developmental pressures on the other two areas. Thus, one might see a sequence that begins with a board undertaking a quick reconnaissance into the strategic landscape to get a sense of what is likely and what is ruled out. This can inform a leadership search, which is also a learning process, like taking a product (in this

case, the posted job opportunity) to the market and seeing what the response is. One gets enormous insights from interviewing people and hearing their ideas and reactions to the presenting challenges.[8] Once a new leader is hired, work has to cycle back, with the new leader diving deeper into the strategy. This process may take a year, and its outcomes may in turn shape both membership and process changes in governance.

Tips for Navigating These Interdependent Processes

Once one recognizes the intertwined nature of these issues, how should one go about navigating them? Below are some tips based on lessons learned:

Go as far as you need to inform the next step, but value incompleteness and retained flexibility. The concept of "minimum critical specs" has been used in emergent redesign of work processes.[9] This concept states that one should only develop the minimum specifications necessary to take the next steps. In that way, an organization acts into its future—it values the retained flexibility at each stage to adapt to what it has learned and ways the environment may have changed. Thus, the strategy might be broadly directional, perhaps with a few options left open as the context for a chosen leader who can then join and take the next steps in fleshing out the strategic implications. Once those are underway— possibly linked to a change in board leadership—there might be implications for the board in terms of membership, committee structure, and working processes.

Never take up one of these tasks without using the occasion to reflect on the other two. For example, in working on a leadership succession, ask questions about the state of the board's functioning and dynamics, and the connections between board turnover (especially the chair) and the leadership transition.

If the work is board development, ask questions about issues related to strategy, such as splits on significant issues that may be sending mixed signals to the CEO. If the foreground issue is strategy, is the board too dependent on the CEO who fills the time with excessive PowerPoint briefings instead of enlivening conversations about the tough choices facing the organization and engaging the diverse perspectives of the members? Another case study—this one a warning—may be useful here: one innovative, newly appointed president was deeply driving an effective strategy process, yet failed to pay enough attention to keeping the board's support. He changed a member of his team without realizing the depth of a long-working alliance of this individual with the board. As his strategy work was nearing completion, he was asked to step down over "strategic differences in the direction of the university."

Actively manage the transitions from one phase to another. Boards that have been overly involved in a leadership search often pull back in relief too quickly once the candidate is named.[10] Yet, a good search surfaces many more insights than may be used in the act of choosing. Furthermore, much of that learning needs to be shared constructively with the successful candidate. Upon completion of the search, creating a "lessons learned" or "after-action report" with the search firm, the governance leadership, and the successful candidate can be a major contribution to a successful transition. This provides a mechanism for setting expectations, flagging early concerns, discussing key stakeholders and their values, and surfacing key strategic choices. All of these can help the new working alliance of governance and leader get off to an effective start.

One transition issue is the relationship of the outgoing leader to the new leader. This relationship is often under-managed.

Sometimes the former leader goes on the board or is retained in some consulting transition capacity. This can be developmental or can serve as a hedge if the new appointment stumbles, but it can often inhibit the new leader from fully taking up the role.[11] It is more useful to ensure a rich exchange of information from the former to the new leader as background, not as covert influence. By not having the board leadership change at the same time as the CEO, the chair can be a link across the discontinuity in executive leadership and can host some of these conversations linking past, present, and future.

Respect the time needed for different phases. Too often, a board charges a new leader with "doing a strategic plan," or the new leader too quickly decides to use a strategy process as his or her entry process. This may be necessary if the organization is in crisis; however, the new leader often just needs to listen, learn, and build his or her working alliances before jumping into strategy.[12] We have seen several situations where a strategy process undertaken by a leader immediately upon taking over was hampered by too much influence from some holdover staff, and not informed by a few key hires that came on too late in the strategy process to both influence and be influenced by it. Furthermore, a new strategic direction might benefit from some key changes in board membership first.

Respect that people may be in different places in all of these processes. During the intertwining of these three related strands, different stakeholders are likely to be in different places on these issues. Some board members who are new may be arguing against a coalition of the "old guard" and a long-tenured executive for new strategic conversations. The new leader may bring a much sharper sense of new realities and may have to develop data to break through

board complacency while also worrying about long-tenured staff's relationships with board members. Searches often create tensions stemming from who was involved in the search and who was not, and these tensions surface—especially if the newly chosen leader begins to experience difficulties. By being alert to the intertwining of the three areas of governance, succession, and strategy, one can better trace what often surfaces as interpersonal conflicts back to the important substantive stakes that the organization faces and to different players' bases of experience. Stakeholders never say they are "resistors to change" but, rather, see themselves as champions of core values that the Young Turks might put in peril. In fact, these two groups represent different ends of an important polarity between change and tradition that needs to be engaged.[13]

The Recursive Linking Challenge

The interdependencies of board development, leadership succession, and strategy suggest that we should think of each as strands in a tapestry that have to be taken up in related ways—with one often being figure, and the other two background and context, respectively—and then the "good enough" work in one area becomes part of the context for the focus on another strand. This often repeats in a deepening spiral.

For example, an arts organization board had a daylong retreat with the artists, the top staff, and a board delegation to work on their relationships in anticipation of a search for a new president. The board development and relationship work was done via discussion of the strategy and the implications for hiring a new president. When the recruiting firm began the search, there was an explicit exchange of insights from the board retreat to jump-start the recruiting.[14]

Likewise, a university president—even though chosen from within the institution—spent the first year getting on top of the organization and its challenges, then took on governance changes on the occasion of a new board chair. With revitalized board processes, the president then took up a creative mode of strategy that linked it to fundraising and board and faculty development via intensive, well-staffed working sessions on critical issues that had been identified by the board. This created excitement and learning among both board and faculty.[15]

Lastly, consider the experience of William G. Bowen. A year into his presidency of the Mellon Foundation, he learned that the board chair, with whom he had a strong working alliance, was retiring. Bowen anticipated difficulties in his collaboration with the individual expected to succeed as chair. He took a risk and discussed the issue with a few trustees, and with their support he reached outside of the current board to recruit a new chair. He notes, "It would have been easy for me to simply let nature take its course in the selection of a chairman following the retirement of Baker [the former chair]—and it would have been a huge mistake."[16] This is the action of a leader who knows the value of linking succession, strategy, and governance in the service of an organization's performance.

The world comes at us in complicated ways that challenge us to make this same link rather than segmenting these issues into separate (perhaps horizontal) silos.

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