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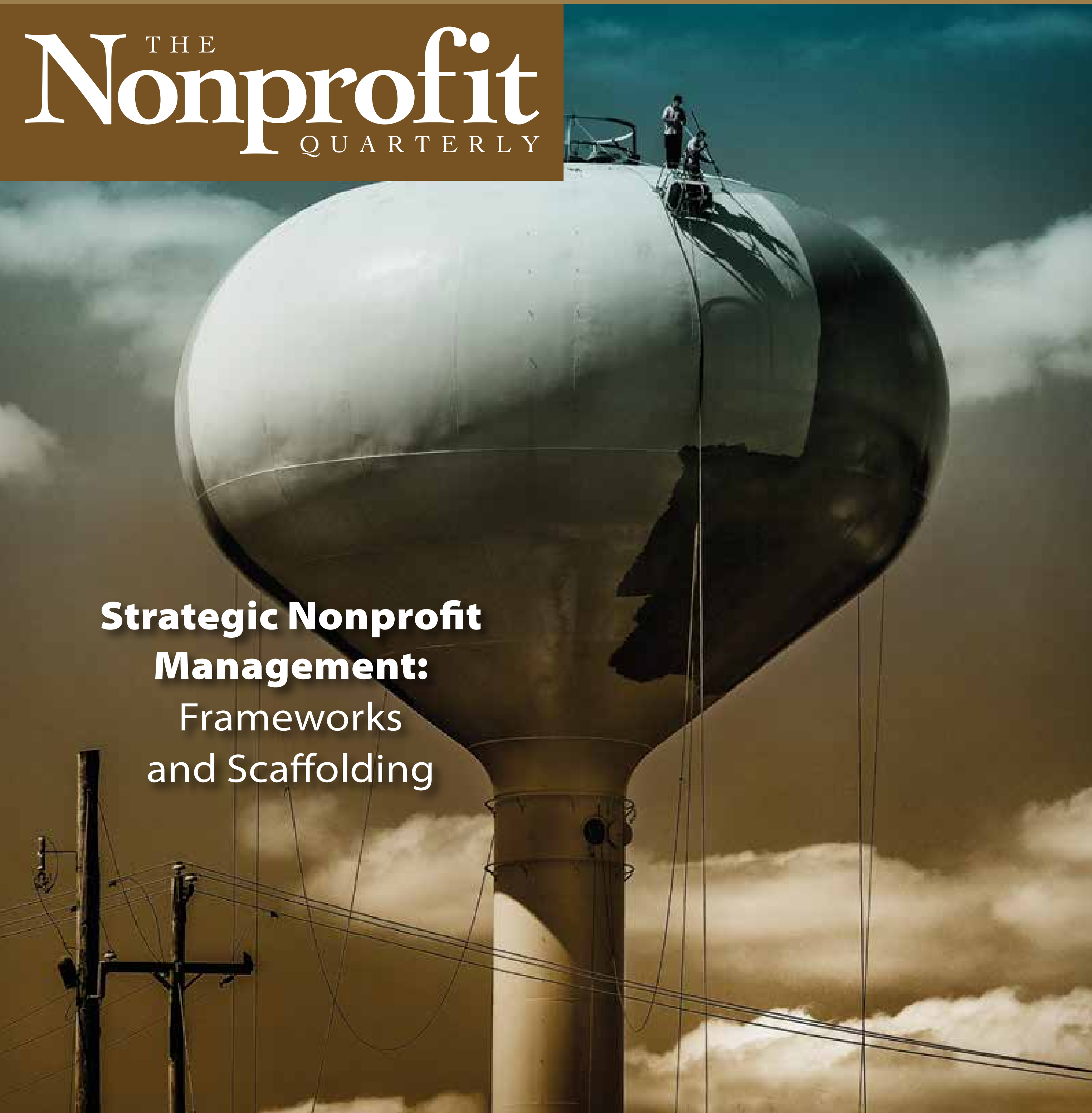

Strategic Nonprofit Management: Frameworks and Scaffolding

Coule *on* Self-Limiting Nonprofit Governance

Polanco and Walker *on* the Design of Effective Nonprofit Dashboards

Lobell, Menon, and Sikka *on* Self-Coaching Strategies for Nonprofit Leaders

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COVER DESIGN BY CANFIELD DESIGN
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THE Nonprofit QUARTERLY

www.npqmag.org

The *Nonprofit Quarterly* is published by Nonprofit Information Networking Association, 112 Water St., Ste. 400, Boston, MA 02109; 617-227-4624.

ISSN 1934-6050

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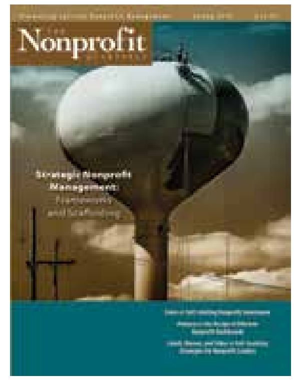
Welcome



DEAR READERS,

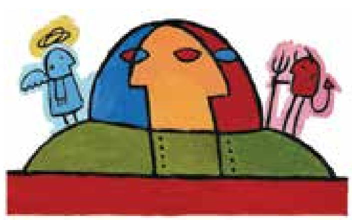
When an organization adopts a management or governance framework, it is also accepting the assumptions, values, and beliefs upon which the framework is built. Some of these may come from comparing one practice against another at a particular point in time and in a particular context, but many are simply adopted from and informed by the larger economic and cultural environment. They are, essentially, management defaults: "The way things get done." But in the midst of an era change, adopting a system more referenced to the past than to the future is a risky endeavor.

Specifically, our beliefs about the necessity of engagement (of staff, constituents, and other stakeholders) are transforming, and our experience of time frames (with respect to the fit of strategy to context, and the need for rapid, responsive communications) is likewise transformed. There is a way in which these two changes fit together and inform new management and governance practices, and we must find that fit and craft new ways of working.

If conditions are not as they were a half-decade ago or more, when some of those defaults were developed, acting as if they were can feel like launching a cruise ship in whitewater. It's a mismatch of tool to intent, context, and time frames, among other things. Indeed, when we adopt a framework of practices from others, we must think carefully about whether the underwriting system of beliefs, assumptions, and values is likely to work with a new generation of workers, in a context where information travels at the speed of light and networks are increasingly the way we are approaching big changes. Are we analyzing the conceptual foundation on which a practice is built, and considering whether it might be beneficial to build—or at least try—a different approach?

Having observed management and governance practices among nonprofits over the past thirty years, it occurs to me that, although we have our share of very slow adopters in the nonprofit sector, there are an increasing number of organizations experimenting with new frameworks for management and governance—and some of these are surfaced in this edition of the *Nonprofit Quarterly*. Our job is to circulate these new ways of working so that they can be further developed by you, our readers.

But our community of colleagues in the many fields of endeavor we address will be enriched only if you share your experiences. We invite you to write about your involvement with new ways of working; send your story to editorinchief@nonprofitquarterly.org, and it may just get published as a "Voices from the Field" article.



The Nonprofit Ethicist

by Woods Bowman

Grantmaking is a profession full of awkward ethical questions, big and small. Some are enduring and others change with the times, but none is too challenging for the Nonprofit Ethicist.

Editors' note: *Right before Woods Bowman passed away, in July 2015, he presented the* Nonprofit Quarterly *with a cache of Nonprofit Ethicist columns. This is the third of four batches that we are running in the* Quarterly *as his parting gift to us all.*

Dear Nonprofit Ethicist,

There is a foundation with a strong interest in a nonprofit organization that has had difficult times financially, operationally, and strategically in recent years. For historic and strategic reasons, the foundation would like to see this organization survive and thrive. The nonprofit would welcome a trustee of the foundation serving on its board. The foundation, in turn, is interested in having a trustee in that position to assist the organization in what is essentially a "turnaround."

This has seemed to be a popular concept in "venture philanthropy"—the idea of a donor sitting on the board of a nonprofit he or she strongly believes in. But because of the separate fiduciary requirements of each organization in this case, isn't it true that the trustee who takes that board seat can't be the "eyes and ears" of the funding entity of which he or she is also a part, and "report back" to the foundation? I'm just wondering if there's anything that would allow that flow of information back to the funder without compromising fiduciary responsibility.

Curious

Dear Curious,

The simple answer is "no." You are right about fiduciary responsibility. I suggest that the foundation work with the nonprofit on board development. It would perform a valuable service by proposing names for board membership who are neither employees nor trustees of the foundation. (By the way, venture philanthropists on boards do not create the same set of problems, because they do not have a fiduciary responsibility to a funding source. They *are* the funding source.)

Dear Nonprofit Ethicist,

There is a very large private foundation that, since its inception, has focused its grantmaking within a single, relatively small town, "Luckyville." There is nothing in the governing instrument that restricts grantmaking to Luckyville or even identifies the town; it just happened to be where the individual trustees all lived for several decades. Due to a few deaths in the family, there has been almost complete turnover of individual trustees, none of whom live in or are particularly attached to Luckyville. The new individual trustees recognize that a certain reliance or expectation has been built up over the years among the Luckyville Art Museum, the Luckyville Symphony Orchestra, the Luckyville Library, and the Luckyville Hospital based on the significant portions of their operating budgets that have come from this one foundation. From an ethical standpoint (there is no legal obligation to the town), what is the best approach for the trustees to take vis-à-vis these organizations as they look toward future grantmaking? And, does the board of the receiving nonprofit organization also have an obligation not to become detrimentally reliant in this way on a single funding source?

Interested

Dear Interested,

Nothing is forever, and boards evolve. The new board ought to have a serious conversation about the future of the foundation and its relationship to Luckyville. If there is no legal requirement anchoring it to Luckyville, the board can do whatever it likes. However, if the foundation wants to change focus, it has an ethical obligation to give existing grantees plenty of notice and help them build fundraising capacity before pulling out. The boards of receiving organizations do not have an ethical obligation to diversify their funding sources, but they would be foolish not to put it on their to-do list.

Dear Nonprofit Ethicist,
I am the executive director of a nonprofit organization that has been quite successful in two cities, and we are in the process of replicating our model in a third city. As part of my networking in the third city, I've met with the grants manager of a large community foundation that makes grants on behalf of several private foundations. I have asked the grants manager to introduce me to the individuals who direct distributions on the foundations she administers, and my request has been rejected because it would be "an ethical violation." Please help me understand what the ethical concern is here.

Flummoxed

Dear Flummoxed,
It depends on her relationship with the private foundations. Perhaps the grants manager views them as clients whom she feels obligated to protect. As you say, she makes grants on their behalf. Maybe they give her a lump sum and expect her to make the allocation decisions because they do not want to be bothered with details. Or, perhaps she just wants to prevent you from making an end run around her.

Dear Nonprofit Ethicist,
What do you think about the idea, floated in some circles, of an excise tax on nonprofit endowments over a certain threshold? In particular, I'm curious about this as it might apply to universities in cities where city services are required to support and protect the university's functions and the safety of their students or physical plant.

Pondering

Dear Pondering,
Consensus is nonexistent. Personally, I think tax laws should treat all endowments and quasi-endowments equally. In most states, cities cannot tax personal property, like stocks and bonds. Payments in lieu of taxes (PILOTs) are another matter. They have their own problems—theoretical, practical, and ethical—but they are a popular method to address the issue you raise.

Dear Nonprofit Ethicist,
The American tradition of philanthropy goes back to the earliest days of our nation. Long before Alexander Hamilton described philanthropy as a powerful expression of patriotism (in the first paragraph of the very first of eighty-five Federalist Papers*), the early colonial settlers embodied that spirit. How can we as a society extend this tradition into the present and future, given the increasingly diverse face of America and the growing number of Americans who come from countries where philanthropy is not as fundamental a value as it is in American culture?*

Worried

Dear Worried,
This problem does not show up in statistics. Since researchers began collecting national data on donations twenty years ago, donations have held steady at 2 percent of personal income, plus or minus 0.2 percent. New immigrants may cling to old ways, but when they become assimilated, they—and their children, especially—behave just like other Americans.

Woods Bowman was professor emeritus of public service management at DePaul University in Chicago, Illinois.

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Governance *and* Accountability:
A Different Choice for Nonprofits

by Tracey Coule

While corporate governance theory has become increasingly sophisticated, theories of nonprofit governance are comparatively underdeveloped. Have we, by default, settled on conceptual frameworks that keep our organizations stagnant even while all around us is changing? This article pushes nonprofit boards to think differently and more expansively about their accountability frameworks.

Editors' note: *This article was abridged and adapted from the article "Governance and Accountability: Broadening the Theoretical Perspective," published by* Nonprofit and Voluntary Sector Quarterly *(February 2015; vol. 44, no. 1), nvs.sagepub.com/content/44/1/75. (Published online before print October 1, 2013; doi: 10.1177/0899764013503906.)*

Governance is of central concern to nonprofits, yet theories of nonprofit governance are underdeveloped in comparison with corporate governance; and, specifically, it appears that knowledge of governance practices to achieve broadened accountability to multiple and diverse stakeholder groups has lagged. This article aims to expose and question the assumptions and asymmetrical power relations that are often taken for granted in the most normative of the governance theories used by nonprofits. In doing so, I challenge the notion of accountability as a somewhat benign and straightforward governance function, and recast it as a challenging, complex choice.

There is, in fact, a framing issue in governance, and different perspectives on governance are founded on distinct logics. Fundamentally, these logics constitute organizing principles based upon a set of belief systems and associated practices.[1] One of the rudiments linking principal–agent theories such as agency and stewardship theory is that they are founded on what Tony Watson refers to in *Organising and Managing Work* as a "systems-control" approach to framing organizational realities.[2] Essentially, these approaches aspire to maximize control over human circumstances by presenting organizations as goal-based, controllable systems. The central logic is thus one of unitarism, a perspective built on the assumption that everyone—employees, beneficiaries, and the wider community—will benefit from decisions made at a senior level:

> As regards the role of the CEO, structures will assist them to attain superior performance by their corporations to the extent that [they] exercise complete authority over the corporation and that their role is unambiguous and unchallenged. . . . The organisation will enjoy the classic benefits of unity of direction and of strong command and control.[3]

Tracey Coule is reader in nonprofit governance and organization at Sheffield Business School, U.K., and a coleader of the multidisciplinary Centre for Voluntary Sector Research at Sheffield Hallam University, U.K. Her current research focuses on the nature of organizing and managing work in nonprofit organizations, and the policy context in which this occurs.

"URBAN LIGHTS" BY MATTHEW FARRAR/WWW.MATTFARRARIMAGE.COM

Stakeholder theory assumes stakeholders have different interests and it is therefore important that the governing board is made up of stakeholder representatives.

Within the logic of unitarism, conflicting objectives are seen as dysfunctional, and agents' accountability to principals takes precedence and is enacted through adherence to monitoring, accounting and auditing, and the law.[4] In "Trust and Control in Anglo-American Systems of Corporate Governance," John Roberts argues that such formal hierarchical accountability creates "a sense of self as singular and solitary within only an external and instrumental relationship to others."[5] Here, we can draw parallels with narrow constructs of accountability presented in the nonprofit literature where the affiliation between nonprofits and their evaluators constitutes a typical principal–agent relationship founded on instrumental, rule-based accountability involving explicit and objective standards of assessment.[6] Indeed, in "The Defects of Stakeholder Theory," Elaine Sternberg argues that accountability is only legitimate in circumstances where principals have the authority to hold agents to account, and attacks stakeholder theory for "destroying" conventional accountability.[7] In short, she posits that just because organizations are affected by and affect certain factors, such as the environment, does not mean they are accountable to them. Principal–agent theories thus cast accountability as "the means by which individuals and organizations report to a recognized authority and are held responsible for their actions."[8] This may act to marginalize broader constructs of accountability based on "felt responsibility," or taking responsibility for one's own actions,[9] which would be central to critical management endeavors and their deliberate attempts to enhance empowerment and the voices of the less powerful.

But alternate governance theories such as stakeholder and democratic theory exist, directly challenging the foundations of unitary, principal–agent theories. One of the key purposes of the challenges inherent in these approaches is to extend companies' responsibilities beyond those enshrined in law, which are often premised on minimal standards. Stakeholder and democratic theory are thus driven by what may be termed a *process–relational* view of work and organizations, characterized by the acceptance of multiple individuals and groups with divergent interests and priorities, requiring "continuous social, political . . . and moral processes."[10] The central logic is one of pluralism, where diverse groups' pursuit of disparate interests can produce conflict,[11] which is considered both inevitable and a possible driver of social transformation.[12] There are, however, differences between the practices associated with stakeholder and democratic theory, which I will briefly draw out.

Stakeholder theory assumes stakeholders have different interests and it is therefore important that the governing board is made up of stakeholder representatives; there is a focus on how specific stakeholder groups exercise oversight and control over management. A core conviction is that organizations have more extensive duties to key stakeholder groups than is strictly required by law.[13] In "Shareholder versus Stakeholder—Is There a Governance Dilemma?," Gerald Vinten defines the stakeholder corporation as one which not only recognizes its direct legal and statutory responsibilities but also its need for a license to operate and responsibilities to those indirectly affected by its activities and decisions.[14] Democratic theory, on the other hand, is built on the premise that organization actors and the public have different interests, and that democratic political order allows for protection of individual liberties/rights against the potentially corrupt and tyrannical power of the state. Under this theory, good governance begins with implementing traditional democratic structures, and focuses on the process through which decisions are made as a source of legitimacy. Indeed, in *Entrepreneurs and Democracy*, Pierre-Yves Gomez and Harry Korine argue that all corporations must take into consideration society's views on what constitutes a legitimate exercise of power, based on the view that directors cannot govern the corporation in opposition to the values of the society in which the organization is embedded.[15]

The board's role under a pluralist logic is thus political: to represent diversity of interests and balance stakeholder needs, to make policy, and to control management.[16] Indeed, those who address the underlying philosophical and relational issues in corporate governance argue that it is a social and dynamic process rather than an economic, fixed, and enduring reality, and therefore must be considered in relation to concepts of politics, power, culture, ideologies, modes of thought, and social relations.[17] Stakeholder and democratic theory require corporations to move beyond their legal and statutory responsibilities, and this immediately broadens the scope of accountability, constructing it as a combination of being held responsible by external actors and taking responsibility for one's own actions. John Roberts posits that "socializing forms of accountability . . . constitute a sense of the interdependence of self and other, both instrumental and moral."[18]

The theories reviewed thus represent distinct schools of thought on corporate governance, which are infused with particular and sometimes opposing assumptions about the nature of work and organization. This holds major implications for the treatment of stakeholders and the construct of accountability. In a nonprofit context, principal–agent assumptions, and the instrumental forms of accountability associated with them, can be problematic. This is particularly the case where nonprofits are motivated to adopt alternative, democratic forms of organization in line with the societal change they aim to bring about and/or where legitimacy in the eyes of the nonprofit's host society is central to organizational viability. It is difficult to conceive of an environmental nonprofit, for example, maintaining legitimacy if it did not account for its own impact on the ozone layer or natural environment, simply because these factors are "not the sorts of things that can hold agents to account."[19]

Table 1, below, was created to frame the empirical findings and address the question of what implications exist for accountability in various governance theories and practices. It delineates the potential consequences of diverse governance assumptions for the nature of accountability in nonprofit organizations. Specifically,

In a nonprofit context, principal–agent assumptions, and the instrumental forms of accountability associated with them, can be problematic.

<table>
<tr><th colspan="4">Table 1: A Typology of Nonprofit Governance and Accountability</th></tr>
<tr><th>Governance Theory</th><th>Board Composition and Role</th><th>Interests and Governance Relations</th><th>Focus and Nature of Accountability</th></tr>
<tr><td>Agency (Unitary logic)</td><td>Founder/member representatives ensure conformance through the following: safeguarding founders' interests; determining mission and purpose; and ensuring programs, managers' actions, and resource allocation are congruent with mission and purpose.</td><td>Governing boards and managers driven by different interests within principal–agent relationship. Relationship between board and staff largely conducted through Chair/CEO.</td><td rowspan="2">Primary focus is on instrumental accountability to resource providers. Accountability is founded upon principal–agent relationships and a rule-based view. There is a strong sense of expressive or "felt" accountability toward organizational mission, but this is determined by an often elite group of board members.
Conceptions of board–staff accountability: Often transactional—based on returns for contribution made. Board's focus is implementation of human resource management legislation and formal practices, which promote upward accountability. The CEO holds staff to account for actions; the board holds CEO to account.
Conceptions of environment–organization accountability: Again, has a primarily upward focus, prioritizing compliance with legal, regulatory, and funding requirements.</td></tr>
<tr><td>Stewardship (Unitary logic)</td><td>Board members are often "experts" who act as stewards of the organization's assets and improve performance by adding value to top-level decision and strategy making.</td><td>Although a principal–agent relationship is maintained, the board partners and supports management on the premise of shared interests. Relationship between board and staff largely conducted through Chair/CEO; there is sometimes Chair/CEO duality.</td></tr>
<tr><td>Democratic (Pluralist logic)</td><td>Board members are often lay/membership representatives of member/public interests; make policy; and ensure implementation of traditional democratic structures.</td><td>Organizational members and the public have different interests. Organizational relations are conducted and control of management is achieved by the (democratic) process through which decisions are made.</td><td rowspan="2">Adopts broad view of accountability that moves beyond legal requirements. Accountability is seen as something which is values-driven and (continually) negotiated with internal and external stakeholders in order to balance upward- and downward-accountability pulls.
Conceptions of board–staff accountability: Moves beyond legalities and formal human resource management practices. Expressive accountability involves ensuring that organizational members are treated in congruence with values expressed in the organization's service work, structures, and processes.
Conceptions of environment–organization accountability: Again, moves beyond basic requirement for instrumental, upward accountability to powerful external players, and takes on expressive forms involving self-perception of community role and mission.</td></tr>
<tr><td>Stakeholder (Pluralist logic)</td><td>Board is composed of stakeholder representatives who focus on balancing stakeholder needs and making policy.</td><td>Stakeholders and organizations have different interests. Organizational relations and control of management are achieved through explicit focus on how specific stakeholder groups should exercise oversight and control over management.</td></tr>
</table>

Practitioners do not necessarily operate consistently within a particular stance, and often vary their approach within a specific context.

the implications of the governance theories foreshadowed in the earlier literature summary are linked to board composition and role, board–staff interests, and the subsequent focus and nature of accountability relations. It should be noted, however, that practitioners do not necessarily operate consistently within a particular stance, and often vary their approach within a specific context. Rather than claiming that the taxonomy presented is exhaustive, I would point to its heuristic value that exposes the possibility of diverse views of governance and accountability, thus illustrating the range of choices available to nonprofit practitioners.

The following section discusses the analysis underpinning development of the preceding typology.

The Effects of a Unitary Model of Governance and Conceptions of Accountability

This section illustrates how agency and stewardship governance assumptions, based on a unitary logic, can produce particular effects on the nature of accountability. First, however, it is important to highlight the distinguishing features, which suggest the central logic of Case A and Case B to be unitary (see Table 2).

Both cases appear to be united by overarching unitary logics, where the goal is for organizations to be harmonious, consensual entities that exist for common purposes. There are, however, differences in how they pursue this goal. Case A largely appears to operate within agency governance assumptions, where relationships are viewed as nothing more than a series of implicit and explicit contracts with associated rights.[20] Within such contracts, a key challenge is how to ensure agents will act in the best interests of principals. Within Case A, the board—made up of long-serving members—assumes its role in the monitoring and control of the chief executive officer (CEO) in order to limit any divergence from their interests: "In terms of the board, it's our job to make sure the CEO is properly monitored. I see him fortnightly for an hour/hour and a half, see he's doing the job, and I'm just trying to help him by holding him accountable." (Board chair, Case A)

In contrast, Case B seems to adopt a partnership approach between CEO and board, indicating parallels with stewardship governance assumptions and the associated adoption of CEO duality.[21] Though United Kingdom charity law generally prevents it, organization B developed complex structures to allow the CEO to act as a trustee; the CEO simultaneously holds the position of honorary (unpaid) museum director of the charity and chief executive of the wholly owned trading subsidiary, for which he is remunerated. The board obtained an order from the charity commission to enable him to continue to be a trustee of the charity when he took on the role as CEO of the trading subsidiary. Despite a

Table 2: Features Indicating Unitary Logics

Dimension	Case A	Case B
1. Restricted face-to-face contact between staff and board members	"My predecessor suffered quite a bit from staff going to talk to trustees. I think he felt sometimes a little bit disempowered. That doesn't happen so much now." (CEO)	"I don't particularly get involved with the trustee side of things . . . obviously [the director's] involved with that. What they're doing tends to sit with the director." (Manager)
2. Strategic decision making by organization elites	"When we had the strategic plan, [staff] weren't particularly involved with that. We were just given this bit of paper, and . . . it all looked a bit like gobbledygook to me and to other people." (Staff member)	"Policy decisions are taken by the board and they are enacted then by the director or his subsequent management teams." (Trustee)
3. Policy and strategy making as a means of control	"The purpose of strategic planning is to keep the charity on track to achieve our goals . . . help us organize effectively . . . so you don't have a lot of conflict. It reduces conflict, stops bickering." (Chair)	"We make sure they understand what the policies are and we control their work. I particularly think we've benefited from some control being exercised on volunteers, because volunteers can be tricky." (Trustee)
4. Conflict as illegitimate	"The main challenge is bad relationships with staff. Occasionally, you get someone who's not quite fitting and it causes unhappiness. The difficulty is that it's hard to sack people. You might think someone's the source of a problem, but you can't just say, 'You're out.' You've got a procedure to go through." (Chair)	"Some of the stupidity with volunteers made me more determined. The thing was to weed out the troublemakers . . . because it's like a dog that bites you once; it will do it again. And the problem is they spread the poison amongst others." (CEO)

collectivized approach between board and CEO, however, the CEO exercises complete authority over the organization, and his role is unambiguous and unchallenged by staff, thereby suggesting adoption of a unitary logic.[22]

Although Case A and Case B start from opposite assumptions regarding the interests of the board (as principals) and CEO (as agent), they share the idea that control emanates from the top of the organization, where elites rule: "You have, as trustees, people who are eminent in their professions and skilled . . . that's where the expertise comes from. It's assumed they're capable and expert and they sit on the trustees [board], showing their wisdom." (Board chair, Case A)

Thus, if we consider the relationship between board and staff more widely, it appears to illustrate that agents' accountability to principals takes precedence and is enacted through adherence to monitoring and implementation of human resources legislation, policies, and procedures. Accountability thus acts as a constraint upon an opportunistic and self-interested human nature.[23] John Roberts argues, too, that such processes and practices of accountability create individualizing effects, which are associated with formal hierarchal accountability and drive development of instrumental relationships. The associated monitoring and organization surveillance take place within formal hierarchical accountability and, arguably, create disciplinary effects and processes that attempt to prevent circumvention of formal hierarchy.[24]

At an informal level, there seems to be an attempt to "build strong cultures," where employees share their leader's beliefs, assumptions, and vision for the organization.[25] Case A's employees are socialized with the founding story of a visionary faith leader who identified the need and established provision for "the needy," while within Case B there is constant reference to the historical military links of the museum and maintaining an authoritarian approach consistent with that tradition. In each case, the historical roots of the organization are used to legitimize the authority of a select group of leaders (principals) over a group of subordinate followers (agents) and to ensure the principals' goals are accepted as natural, unchallengeable, and given. Table 3 illustrates the various ways in which Case A and Case B reinforce instrumental accountability within internal relations.

Within such contexts, the construct of instrumental relationships at the individual level seems to reproduce at the organizational level, leading to the prioritization of instrumental transactional relationships to external stakeholders. Roberts argues that dominance of external market mechanisms contributes to producing such forms of accountability,[26] and it is noteworthy that the organization we are calling Case B has the highest level of earned income and is run as an "attraction business," while the organization we

Although Case A and Case B start from opposite assumptions regarding the interests of the board (as principals) and CEO (as agent), they share the idea that control emanates from the top of the organization, where elites rule.

Table 3: Mechanisms to Reinforce Hierarchical, Instrumental Accountability in Internal Relations

Dimension	Case A	Case B
1. Elevation of historical roots to ensure employees share leader's beliefs, assumptions, and vision for the organization	"The founder of [Case A] spoke these words eighty years ago. It is as fresh and relevant today as it was then." (Org. document) "If you ask anybody, particularly the trustees, what the vision is, they will return to two elements of the [1967] trust deed. But, you're not providing visionary leadership by simply trotting that out." (CEO)	"There's been a large number of people from [the military] who were involved initially, and some of that has rubbed off on the way that subsequently people operate." (Trustee)
2. Creation of policies to control work and ensure staff (agents) act in the best interests of the board (principals)	"I think one challenge is getting our procedures up to date . . . tightening control and ensuring policies are in place." (Chair)	"I think we have been at pains to produce policies and plans for most things, and, in particular, health, safety, and employment practice. That forms the framework. . . . When people come here, they are told what their requirements are, and it's up to them whether they fit in with that and join us or not." (Trustee)
3. Enforcement of hierarchy by negotiating internal relations through formal structures involving clear separation of board and staff	"Oh dear, I'm not really sure [what the trustees bring to the organization], because I always feel that they're very distant. I know we have the staffing subcommittee and we have this committee and that committee, but what they actually do? They're a bit of a mystery." (Staff member)	"It's a fairly traditional structure where you have managers in charge of teams and, ultimately, everybody is responsible to the director, and the director then is answerable to the board of trustees." (Trustee)

My analysis indicates that if missions, visions, and goals are developed and governed solely by organization elites, it is their perspectives that become prioritized and legitimized at the organization level.

are calling Case A has the second-highest proportion of earned income—albeit marginally—with the ambition to increase this type of income. With both cases, references to "professionalization," "amateurism," and "business" are prevalent within the narratives of senior organizational actors, and compliance with legal and regulatory obligations seems to take priority. External stakeholders, such as service users, who lack the authority to bring about sanctions, appear marginalized in decision-making processes in favor of viewing them as customers or consumers of services. Moreover, donors and other players in the external environment are looked upon as an instrumental resource to further the goals set by the organizations' elite (see Table 4).

My analysis indicates that if missions, visions, and goals are developed and governed solely by organization elites, it is their perspectives that become prioritized and legitimized at the organization level. Prioritization of principals' interests is not considered a problem if principals' appointments are assumed to be based on merit. They are assumed to be the rightful guardians of the organization's overall purpose, which is pursued in the best interests of all members—whether they realize it or not. As Table 2 suggests, rationality is "automatically accorded to decision making of the leadership and the behavior of subordinates who might be recalcitrant or even resistant to such direction becomes deemed to be irrational."[27] I find that in this situation, broader conceptions of expressive accountability based on moral foundations often can be marginalized in favor of narrow conceptions of hierarchical accountability within instrumental principal–agent relationships. By conceptualizing accountability in this way, the priorities of the majority of organization members and wider community stakeholders who are affected by the organization's operation may be marginalized or excluded. Moreover, this narrow instrumental view of human nature can appear at odds with the values embedded in the social mission of many nonprofit organizations.

The Effects of Pluralist Governance Models

Table 5 illustrates the characteristics that imply a central pluralist logic in Case C and Case D.

Though Case C and Case D appear to be founded upon pluralist logics, where organizations are constituted by diverse groups that pursue disparate interests, there are subtle but important differences that deserve attention. Case C seems to operate under the premise that to prevent the organization from adversely affecting stakeholders, it requires governance

Table 4: Privileging of Upward, Instrumental Accountability in External Relations

Dimension	Case A	Case B
1. Service users framed as customers, but their voice remains silent/marginalized in decision-making processes	"[The change agenda] is actually driven by an understanding that people we've historically called service users are actually customers. So that means you remodel reception so it looks a little bit more like the Hilton than a prison; you remodel the drop-in centre so it looks more like Starbucks than a dosshouse [cheap hotel]." (CEO) "The board of trustees aren't in the place that they should be in terms of service user representation." (CEO)	"We exist as a visitor attraction through gate money and from corporate business that we can attract." (Trustee) "[The board members are] highly professional, highly experienced . . . and they all enjoy the kudos of being on the board, and that's the basis on which we recruit members." (CEO)
2. External stakeholders who lack ability to bring about sanctions seen as an instrumental resource upon which the organization can draw to further goals set by upper echelons	"[Financial] support comes from a variety of places. We've got individual donors; we have a lot of Christians, and churches support us. When we had a financial crisis, I wrote to them and said, 'We're in trouble,' and the response was tremendous. Then you've got the corporates. They tend not to give money directly, but they help in all kinds of ways. They provide food, expertise; we get pro bono help from lawyers with all our HR stuff. It saves us a fortune. So the challenge is being effective and efficient, you know, in each of those areas." (Trustee)	"We can survive within our own site and we see the way ahead is to build up the strength of what we have control over, not on third-party intervention." (Trustee) "We have very good relationships with the other museums . . . we have good contacts with the parish council, and I think it's always to the advantage of a business to keep in good contact with anybody who can be of help." (Trustee) "It's important to be seen to be part of the museum mafia." (CEO)

processes that allow stakeholders to participate in decision making. In a practical sense, this plays out formally through the election of trustees by Case C's membership and the co-option of other board members, representing statutory agencies, to ensure a sufficiently wide representation of stakeholder interest groups. The board, in turn, charges the CEO with the responsibility of stakeholder involvement in wider organizational endeavors: "The trustees usually give me a steer . . . a recent issue has been to what extent we build relationships with the private sector and how that is presented to members; we will also not compete to provide any service that our members could provide. The general instruction I have from the trustees is that we want people in the tent rather than outside the tent, and we should work to accommodate what they want." (CEO, Case C)

Case D appears strongly driven by the principles of democratic theory, built on the protection of individual liberties and rights. Such ideological foundations are endemic in both the formal charitable objectives of the organization, which talks of helping a particular section of society "obtain their full rights and privileges" and its processes and practices: "Because we go about changing things outside of the organization, it's really important that we change things within the organization. We don't just accept how things 'should' be; we're always trying to change things, and that thing about the process is really important . . . if we don't get the process right, then the end result is never right." (CEO, Case D)

"The general instruction I have from the trustees is that we want people in the tent rather than outside the tent, and we should work to accommodate what they want."

Despite maintaining a structural separation of board and staff, a requirement of U.K. charity law and also often a strategy to reassure funders, regulators, and other interest groups, the reality of organizational life is very different.[28] Much value, for example, is placed on locating decisions in democratic discourse (see dimensions 2 and 3, Table 5), perhaps based on the recognition that transactions are "conducted on the basis of mutual trust and confidence sustained by . . . mutually obligated and legally nonenforceable relationships."[29] It is particularly notable that there is an element of self-governance, as appointment of trustees is conditional on prospective board members spending time with and receiving approval from the "governed," who are, in turn, often people with disabilities.

Despite these differences, actors within both organizations arguably display skepticism about the moral defensibility of dominant models of management and organization and the automatic rights of organizational elites to govern and

Table 5: Features Indicating Pluralist Logics

Dimension	Case C	Case D
1. Open, face-to-face contact between staff and board members	"We have an agreement that for every management committee meeting, staff write and present a project report. I don't edit those; I pass them straight on, so there is a direct dialogue between staff and trustees." (CEO)	"I realize how important it is that staff, volunteers, and the board have really strong communication [with] each other. If this doesn't happen, a director can have more and more power." (CEO)
2. Strategic decision making by all levels of organization hierarchy	"The director is absolutely fantastic. He allows everyone to bring their views to the table. He probably sees it as a waste of talent if there are so many people with so much ability doing their own projects and not feeding into the wider organization." (Staff member)	"If we start dictating to [staff], that's when we'll get a breakdown in terms of where they want to go, what they want to do, and what they think is achievable. It has to be done in a way that people with disabilities also have the power, rather than just being told what to do." (Trustee)
3. Policy and strategy making as a means of learning and development	"We include everyone from the organization, irrespective of whether they are volunteers or national project managers. The organization really takes into consideration the views and perspectives of people who work for it. I don't think I'd work for an organization that didn't." (Staff member)	"There wouldn't be any point in doing a [strategic] plan without everybody . . . there's no interest there if you're not involved; it doesn't mean anything; it's just another piece of paper. If the involvement is there . . . there is ownership." (Staff member)
4. Conflict as inevitable and a source of creativity	"There are lots of strong characters in the organization. It's very difficult to get away with a half-baked idea . . . almost everything you say, someone's going to say, 'Oh really, and why do you think that?' All that excites me . . . it's quite creative and . . . open; it's always a challenge and you've got to be on your toes." (Staff member)	"Because we go about changing things outside of the organization, it's really important that we change things within the organization. It's trying to work with people so the culture in the organization is one where people can . . . say if they're not happy about things." (CEO)

manage. I find that such an approach often leads organizations like Case C and Case D to go beyond instrumental, hierarchical forms of accountability to a broader, expressive view of accountability involving ongoing social, political, and moral processes between internal groups. Such processes and practices of accountability can create socializing effects, often involving face-to-face accountability between people of relatively equal power, in a cultural if not structural sense. The ability of trustees and managers to pursue organizational strategy in this context seems to require account to be taken of employees' perceptions of its legitimacy. Table 6 suggests various ways in which Case C and Case D reinforce expressive accountability within internal relations.

Within such contexts, the view that social relations involve moral, ethical, and political processes is also applied to relationships with external stakeholders. Here, the focus moves beyond instrumental, upward accountability to those who have the authority to hold the organization accountable, and can take on expressive forms based upon sets of relationships and understandings of community roles and mission (see Table 7).

From the perspective of Case C and Case D, organizations appear to be viewed as social collectives where, "through critique, reflection, debate, and the development of democratic relations, the status quo might be challenged and alternative forms of organization developed that express the perceived interests of those currently excluded from a say in how organizations are organized."[30] Such practices challenge a narrow view of accountability relations within and between organizations and their stakeholders as essentially instrumental, and instead construct them as a potential source of legitimacy. This broad view of accountability, however, would come under attack by those who adopt the assumptions of principal–agent relations as the best way to organize. Here, the only legitimate form of accountability is to those who have the (legal) authority to hold agents to account.[31]

Such practices challenge a narrow view of accountability relations within and between organizations and their stakeholders as essentially instrumental, and instead construct them as a potential source of legitimacy.

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While theorization of corporate governance has become increasingly sophisticated, theories of nonprofit governance are comparatively underdeveloped. Advances have been made regarding the effects of particular systems of governance on processes of accountability within the corporate domain.[32] In the nonprofit arena, however, theoretical developments surrounding the

Table 6: Mechanisms to Reinforce Felt, Expressive Accountability in Internal Relations

Dimension	Case C	Case D
1. Deliberate opportunities to test and challenge own and others' views and assumptions through dialogue	"The trustees bring a lot of expertise. They also act as our . . . gatekeeper, if you like. If we come up with silly ideas, they will tend to be the people who knock them back. But they're such an incredibly intelligent bunch that sometimes they'll come up with things, problems in your strategic approach that you'd never even contemplated. And I think that's really key." (Staff member)	"[The team meeting is] generally chaired by people with learning disabilities, and we have an agenda up for about a week before so anyone can write whatever they want on it. It's trying to work with people so the culture in the organization, and the atmosphere, [are ones that allow] people . . . to argue . . . and say if they're not happy about things. It's about trying to get people to take responsibility that way." (CEO)
2. Alignment of treatment of organizational members to be congruent with values expressed in service work	"Despite the organization having a lot of disparate projects, internally we very much adopt a partnership approach. We have bimonthly staff meetings and that works very well. We have a knowledge management meeting where we focus on the organization's strategic aims and how our projects align with them to meet stakeholders' needs." (Staff member)	"I was first attracted to work here because it is a political organization and I believe in what they're doing towards rights for people with disabilities. I like the way it works 'cause it works differently from other organizations . . . it's empowering to people. We employ disabled and nondisabled people who are paired as coworkers and paid an equal salary." (Staff member)
3. Promotion of direct contact between board and staff to build virtuous circle of openness and engagement	"Certainly in the early days, when the staff was smaller, things would definitely informally have been discussed and chewed around. As an organization gets larger and staff are dispersed, it actually then becomes practically more difficult to do that unless you make a specific decision." (Trustee)	"When the trustees are having a board meeting, they come early and we meet over lunch and it's open for us to discuss things with them. It wouldn't be a problem to say, 'Look, I'm concerned about this or that.' It makes the board less detached from the workers on the ground because they're not set up in this hierarchy. I don't feel like it's all going on and I'm not contributing . . . that out-of-control feeling . . . and decisions are just being made. I feel that if it came to it, I could walk in there [the board meeting] and say, 'This isn't okay.' I wouldn't feel frightened to do that or intimidated." (Staff member)

nature of accountability transcend understanding of nonprofit governance. In particular, understanding of governance to achieve broad accountability—as called for by numerous nonprofit scholars—has lagged. By addressing the underlying philosophical and relational issues in governance, this article frames nonprofit governance and accountability as social and dynamic processes.

Each governance theory is infused with assumptions of how organizations work and the interests of the diverse parties involved. The analysis presented suggests that unitary logics tend to focus the work of principals on producing policies and procedures to control the work behavior of agents. The purpose of internal accountability is to constrain an opportunistic and self-interested human nature through trustees and, subsequently, senior managers attempting to institutionalize their power over others. This can result in transactional or instrumental relationships governed by the system and created by those at the apex of the organization. Equally, organizational members often prioritize compliance with the formal rules of powerful players within the external environment who have the authority to hold the organization to account. Accountability can thus take on a narrow, hierarchical form.

In contrast, while pluralist logics do not reject the notion of control, they recognize that only partial control can ever be achieved. Organizations exist only through human relationships, and whatever control is achieved is "brought about as much through processes of negotiation, persuasion and manipulation as through system devices like rules and official procedures."[33] Similarly, external stakeholders are seen as part of social groups where interests diverge. Expressive, negotiable accountability to a broad range of stakeholders is often seen as central to organizational mission and legitimacy within society. It has been argued that framing organizations as social collectives in this way is a "vital source of learning and can produce complex relationships of respect, trust, and felt reciprocal obligation, which far exceed the purely instrumental orientation to action that agency theory assumes."[34] The four governance theories reviewed thus represent distinct schools of thought, which are infused with specific and sometimes opposing assumptions about the nature of work and organization that hold major implications for the treatment of stakeholders.

Table 7: Privileging of Expressive, Values-Based Accountability in External Relations

Dimension	Case C	Case D
1. Meeting the needs of external stakeholders through mission-driven activities as a source of legitimacy	"There's a challenge in maintaining enough credibility for grant-giving trusts to fund us . . . [and] that credibility is gained from delivering services to organizations that are in our field. So, we need to be seen to be doing our core duties. The other element of our work is reliant on how good our partnerships are with other agencies in the criminal justice sector. So, we need to maintain our strategic partnerships and also be seen as an organization that isn't necessarily biased but is a just organization. That we will always work in terms of the interests of offenders." (Staff member)	"Because we're an advocacy organization, not a service provider, what we tend to do is focus on what learning-disabled people tell us are issues for them, and they are usually learning-disabled people involved with the organization as volunteers or workers but also within the national arena. We respond to and influence policy initiatives. So, we respond in both ways, upwards in relation to what learning-disabled people tell us are issues, and I guess downwards in terms of what policy initiatives are coming out and how we can ensure that learning-disabled people are involved in their implementation and their monitoring." (Trustee)
2. Collaborations and partnerships actively developed on basis of congruence of values and politics to ensure organization acts in best interests of social mission	"There was a small grant-giving trust . . . and they were very keen to merge with us and bring their money with them. The board decided not to pursue that. There's been a number of merger approaches, three in fact. The two that weren't accepted, one was, in all honesty, [because of] a genuine lack of trust in the organization proposing the merger, the other due to a feeling that it just didn't fit." (CEO)	"There's some voluntary organizations we wouldn't work with. Because we feel that they would overtake our politics, [name of leading national charity] being one of them. We've got some funding applications that we've done jointly with other organizations . . . in fact, we're doing one with [a local] university that's really successful. The reason is because it's with the disabilities unit. So, the person we're working with there, who runs it, who's a disabled person, we have the same politics." (CEO)
3. Consideration given to funding relationships' ability to present adverse effects on less powerful stakeholders	"We won't accept government funds for core funding. It all comes from grant-giving trusts, which can be a bit strained, but it gives us the ability to lobby as an organization. It's definitely a value-based decision, an ethical decision." (Staff member)	"We're pretty clear about who we are and what we are, and that's part and parcel of the bid, so . . . people will give us money on the basis of that, but . . . we don't tend to make any adaptation as to who we are." (Trustee)

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Models and Components of a Great Nonprofit Dashboard

by Hilda H. Polanco and Sarah Walker

The process of developing a powerful organizational dashboard should be inclusive and based on strategy, but the metrics should be sparing—with a laser-like focus on the organization's key drivers. And all of the above must be presented on a clear, easy-to-scan platform.

Editors' note: *This article was adapted from a webinar presented by the* Nonprofit Quarterly *on February 17, 2016. The webinar was led by Hilda Polanco, founder and CEO of FMA, the go-to capacity builder to which foundation and nonprofit leaders turn to address nonprofit financial-management issues. Polanco was a founding member of the selection committee of the New York Nonprofit Excellence Awards, established by the* New York Times *and the Nonprofit Coordinating Committee. When not speaking publicly or leading FMA's team, she provides direct capacity-building, training, and coaching services to foundations and nonprofits across the country.*

Nonprofits are complex enterprises. They are built around mission and desired outcomes but must be supported by the right revenue and expense models—which together comprise an integrated enterprise model. As an organization's goals, strategy, and operating context shift over time, a dashboard allows a nonprofit to monitor both the effectiveness of this enterprise or business model, as evidenced by the organization's financial health, and the impact of the programs and services being provided.

Ideally, dashboards are presented quite simply and graphically, so that decision makers can see at a glance whether and where the organization is on the path it has laid out for itself. Dashboards focus the conversation at the board and staff levels, clarifying the goals and strategy of the organization for both groups. Additionally, dashboards can be used with funders and other stakeholders to transparently show progress toward the desired goals.

This article focuses more on the financial component of a dashboard than the programmatic one, and it uses examples from organizations that deliver a relatively more "countable" service than those doing less tangible advocacy work. But the examples demonstrate many of the critical principles involved in dashboard creation, and are a good start to understanding the components of a great dashboard. The aim of this article is to set readers on the path toward creating an effective dashboard or improving one already in use.

Hilda H. Polanco is founder and CEO of FMA. **Sarah Walker** is a lead consultant at FMA.

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40 50 60 70 80 90 100 110 120

The Process of Developing a Dashboard

The hard work in developing a dashboard starts with setting a strategy, establishing goals, and defining the associated metrics. This process should involve the board and key staff from across the organization in rigorous, team-based discussions. These discussions should be ongoing, because no dashboard is final. While some baseline metrics, especially financial measures, might be a semipermanent fixture on a dashboard, parts of any dashboard may be experimental. They should illustrate a hypothesis in a form such as, "If we do more of *this*, then we expect *this* outcome as a result." Due to environmental, technological, or market changes, however, formulas that work one way today may function differently tomorrow, and it is important to continue to question, evaluate, and reset not only goals and strategy but also the metrics being used to measure success.

Deciding what data you will track and understanding how that data will influence decision making are two of the most critical points in the process. There is no one-size-fits-all approach to creating a dashboard.

A dashboard must do the following:

- Align definitions of success across the organization;
- Encourage dialogue about progress toward goals;
- Facilitate timely identification of successes and challenges;
- Ground decisions in concrete data and evidence; and
- Illuminate relationships between different activities.

Successful dashboards also do the following:

- Effectively communicate strategic-level results;
- Present data in a user-friendly visual format;
- Create a snapshot of current status as well as trends over time;
- Clearly show performance against defined targets;
- Highlight out-of-the-ordinary results; and
- Include a manageable set of key performance indicators (KPIs).

Selecting the Dashboard Elements

Deciding what data you will track and understanding how that data will influence decision making are two of the most critical points in the process. There is no one-size-fits-all approach to creating a dashboard, though much can be learned by looking at other dashboards in (and also outside) your field of practice. One key question to clarify as you begin the dashboard design process is whether the dashboard will track metrics at an enterprise level or just for a particular program or function. Another question is that of audience: Will this be a reporting tool for your board, staff members, or funders—or some combination of the above?

As you begin to define what to measure, one of the issues to consider is interrelationships between data points. If you thought, for instance, that controlling staff turnover would improve the way patients experience service at your health clinic while at the same time lowering human resources costs, how would you test this idea? Your goals may be to control costs and provide better service and patient outcomes in some kind of measurable way, but first it is important to test your hypotheses about how one thing affects another. Dashboards can help you to connect the dots through carefully selected metrics. Then again, you may decide on a more independent goal, like developing a particular level of reserves or achieving a proportion of revenue that is unrestricted. These goals are related to financial stability and liquidity, and while there certainly may be some correlation between these goals and overall organizational performance, goals of this nature are less of an "if this, then that" proposition.

What Should We Measure?

The metrics measured on a dashboard are commonly referred to as *key performance indicators*, or KPIs, and should be chosen in a deliberate, thoughtful, and team-based process. KPIs should be identified by means of an understanding of your organization's business-model drivers—on both the expense and the revenue side. Consider each revenue stream and the factors that influence the reliability and predictability of that stream; examine key expense categories and what contributes to the rising or falling of those costs; finally, define the program delivery mechanisms that are influencing results—enrollment levels, quality of patient care, member retention—whatever it is that drives engagement in your program delivery.

At FMA, we often speak to program directors who feel challenged by the fact that they are asked or expected to budget at full capacity, when in fact, historically, they've never reached full enrollment. So, how realistic is that budget?

With this information in hand, select the KPIs that focus the organization on data that will support decision making. Consider whether you need a dashboard that reflects trends over time or performance against goals—or both.

Successful KPIs do the following:

- Represent business model drivers;
- Reflect progress toward intended outcomes;
- Guide priorities and decisions ("what gets measured gets done");
- Are limited to a number that can realistically be monitored (the *key* in KPIs is important); and
- Are periodically reassessed (a set of KPIs isn't forever).

Business Model Drivers

Different types of nonprofits have different enterprise models with different drivers for success. In many cases, we can learn a great deal from examining the dynamics of organizations that have drivers similar to our own—sector notwithstanding—but there are times when we will need also to look at the specifics. Over the next few pages, we will look at specific business models to clarify how to identify the drivers in each model and design KPIs relative to those drivers on a dashboard.

Early Childhood Education: Key Driver - Enrollment

We will begin with an organization that provides early childhood education. Whenever you have a fee-for-service delivery model, as in this example, it is important to monitor enrollment levels and the profitability of the programs given those enrollment levels. So, in this case we're going to look at three particular things—we're going to track enrollment; we're going to track the resulting revenue from our enrolled program participants; and we're going to monitor the overall surplus/deficit of the program. The questions we want to focus on as we analyze the results may include: Are we charging the right amount in fees? Are we collecting on those fees? Are we underenrolled? Are our costs low enough for us to generate a profit?

On the following page is a picture of what a dashboard for an early childhood education program might look like. A key thing to note is that, with respect to the year-to-date operating results, we want to look at actuals against budget as well as against past performance. When we compare this year's actuals to these two other data points, we can see right away how the organization is doing against its current plan, and how it is doing compared to last year's performance.

FMA DASHBOARD: EARLY CHILDHOOD EDUCATION

This multiservice organization provides a range of youth-based programs for the community it serves, including an early childhood education program. Revenue for this program is a mix of government contracts and tuition/program fees.

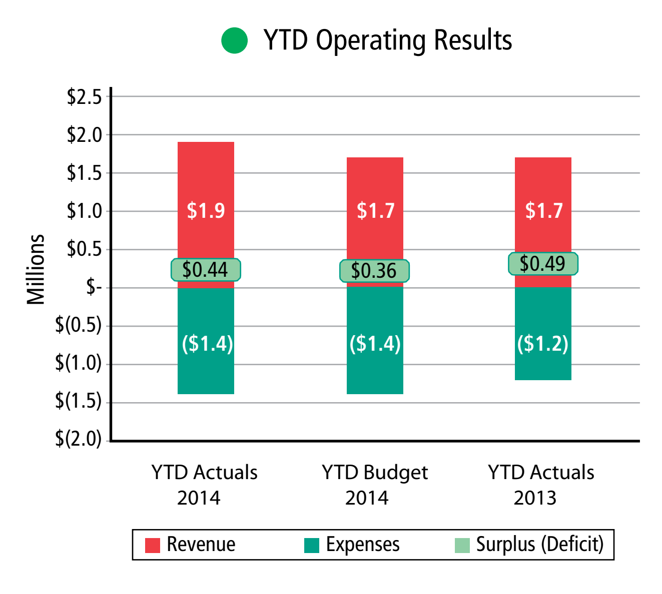
Key Driver: Enrollment Levels

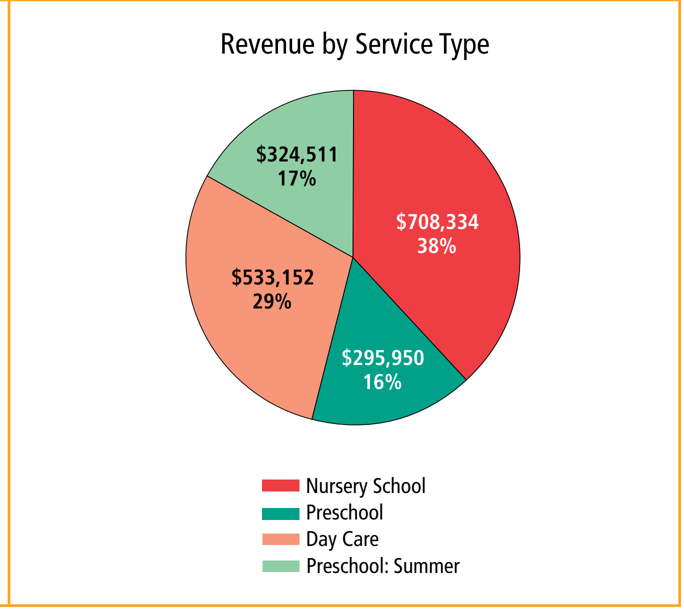
Key Performance Indicators

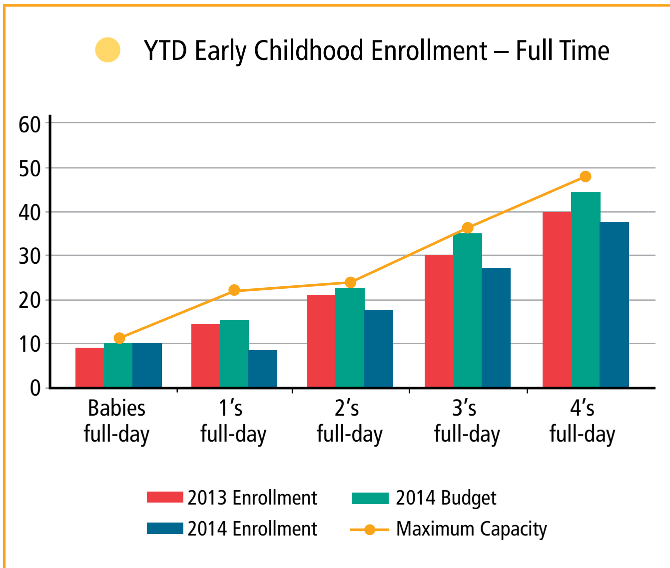
1. Monitor the program's **Operating Surplus (Deficit)**
2. Track **Program Enrollment** and attendance
3. Track revenue from **Program Fees**

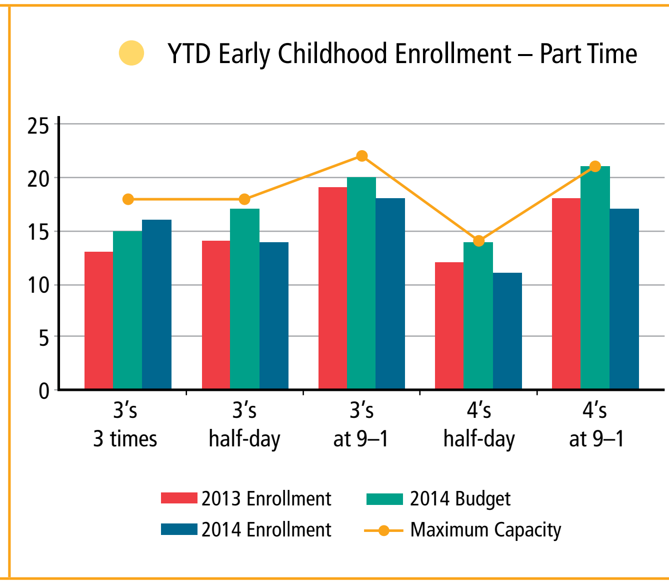
Another key area to highlight is demonstrated in the picture's bottom two charts. These charts address this idea of enrollment, separating out the data between full-time participants and part-time participants. The charts not only give us the enrollment for the past year (what the organization is hoping to accomplish) and where it is as of this point in time, but also make reference to maximum capacity. When it comes to enrollment as a key revenue driver, the question of whether the organization is achieving maximum capacity is an important one. At FMA, we often speak to program directors who feel challenged by the fact that they are asked or expected to budget at full capacity, when in fact, historically, they've never reached full enrollment. So, how realistic is that budget? In contrast, the early education dashboard allows us to see where the organization is really pushing: on the half day, for the four-year-olds, it's budgeting at maximum capacity. It hasn't reached that level in the past, and it's not quite on track to reach it now, but that's where the push is. We can see in other classes that there's an acknowledgment that the organization hasn't reached maximum capacity in the past and is not expecting to reach it this year, either.

EARLY CHILDHOOD EDUCATION









These measures give a sense of how this organization is planning relative to the past, and they emphasize the primary importance of program enrollment as a business driver; the organization will never realize its revenue goals if it doesn't have the individual children in the individual seats at the right pricing. The conversation around this dashboard, therefore, brings program managers into a very deep engagement around the financial outcome of enrollment, and it helps program staff understand the consequences of not reaching the stated goal.

Anyone who has attended an FMA workshop or webinar has heard us talk about months of ***l****iquid* ***u****nrestricted* ***n****et* ***a****ssets—or* ***LUNA****, for short. LUNA is essentially equivalent to the idea of operating reserves.*

Community Health Clinic: Key Driver - Liquidity

Community health organizations are another type of direct service provider, and, in the healthcare world, operational efficiency is a very important driver. In this vein, the key things that community health clinics may want to look at include the optimization of the revenue cycle as well as the cost per patient served. In this type of organization, there is also often a heavy facilities component. So, if you run a clinic—or any type of organization that requires funds to maintain buildings and capital equipment—you want to keep your eye on whether you have the reserves you need, the cash flow, and the ability to carry the level of debt that may be required in order to maintain the necessary facilities and equipment.

The business model of a clinic ultimately depends on the organization's ability to deliver high-quality patient care; but, on the financial side, the key is getting the cash to come in the door as quickly as possible to fund the operations. As soon as the mechanism for billing starts to slow down, liquidity comes to a halt. It's a different model than that of a foundation-funded organization, where there is a $100,000 grant that comes in at the beginning of the year and the organization is set. In this world, revenue optimization has to be continuously refined, with attention paid to the engine that drives the cash while at the same time ensuring a focus on patient quality of care. You can see how significantly the priorities of this model differ from the enrollment statistics from the previous dashboard example.

FMA DASHBOARD: COMMUNITY HEALTH CLINIC
Designated as a Federally Qualified Health Center (FQHC), this community health clinic offers medical, dental, and behavioral health services to the rural population it serves. Revenue sources are a mix of patient fees, Medicare/Medicaid, and payments from private insurers.
Key Driver: Liquidity
Key Performance Indicators
1. Monitor the **Operating Surplus (Deficit)** by business line
2. Track **Access to Capital**, including reserves, cash flow, and debt levels
3. Analyze the efficiency of the **Revenue Cycle**
4. Track the **Cost per Patient Visit**

Anyone who has attended an FMA workshop or webinar has heard us talk about months of *l*iquid *u*nrestricted *n*et *a*ssets—or *LUNA*, for short. LUNA is essentially equivalent to the idea of operating reserves. In this particular case, the goal is to have three months of LUNA—and they're working on it, but they're not quite there yet. So, you can tell right away that there's a goal, and that it hasn't yet been reached—and you can ask what it will take to get there. There are charts that track cash flow and debt—all in service of making sure the organization has the resources it needs to remain sustainable, flexible, and able to meet any challenges it may have in maintaining adequate facilities in which to provide services.

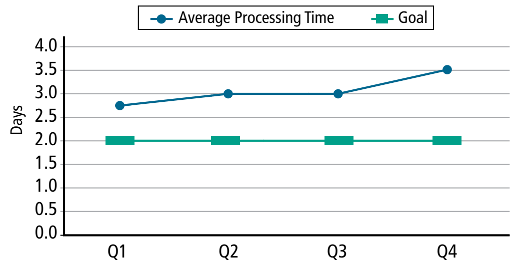
If you focus on the metrics related to the optimization of the revenue cycle, you can see the days in accounts receivable—often referred to as *accounts receivable aging*—which tracks how long it's taking claims or bills out to insurers to come back paid. There are also two other metrics that are indicative of what's behind the scenes driving the aging of the receivables: average time to process claims and initial claim denial rate. For this organization, the processing time of the claims is very important, because the sooner it can process the claim, the sooner the claim can be turned into cash—and cash, of course, means liquidity. On the community health clinic chart (following page) you can see there is a goal of processing claims within two business days, which the organization is currently failing to meet. And you can tell right away that something happened in the last quarter that caused the processing time to increase. Interestingly, the goal is not just about processing a claim and getting it out the door as quickly as possible; it's also about getting it out the door and getting it *right*. So, the organization looks at the time to process together with denial rate, and then the resulting impact on receivables.

If we presented this dashboard to the clinic's program and operational leadership, we could talk about what they need to do differently. Obviously, they're doing something right when it comes to reducing claim denials—so we would talk about what they changed and why it worked. Then again, claim processing time is inching up. There should be a discussion about what is

COMMUNITY HEALTH CLINIC

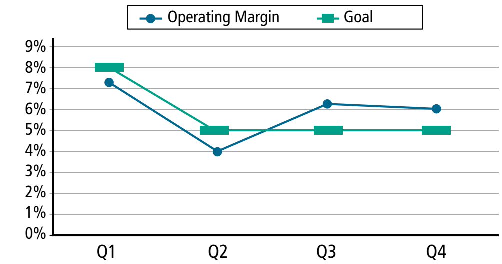
Revenue Cycle Optimization

Average Time to Process Claims

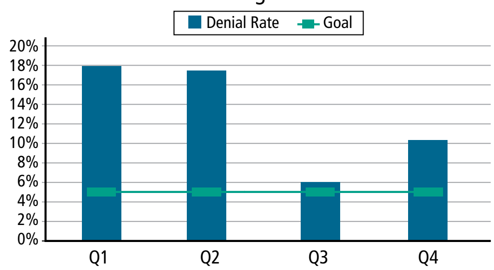


Operating Results

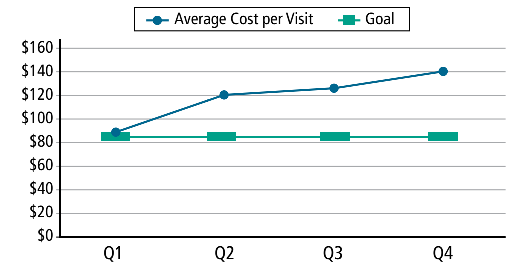
Operating Margin



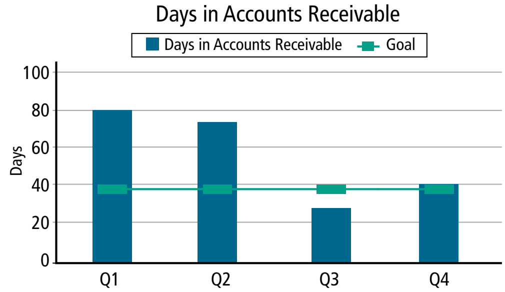
Claims Processing: Initial Denial Rate



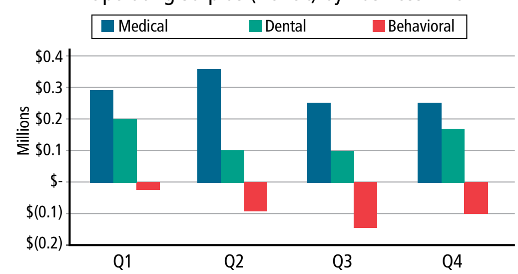
Cost per Medical Visit



Days in Accounts Receivable

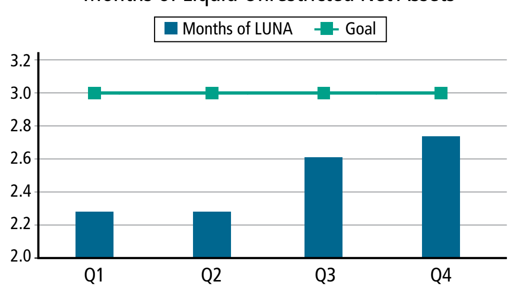


Operating Surplus (Deficit) by Business Line

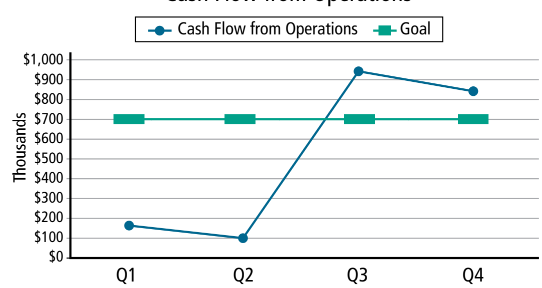


Capital

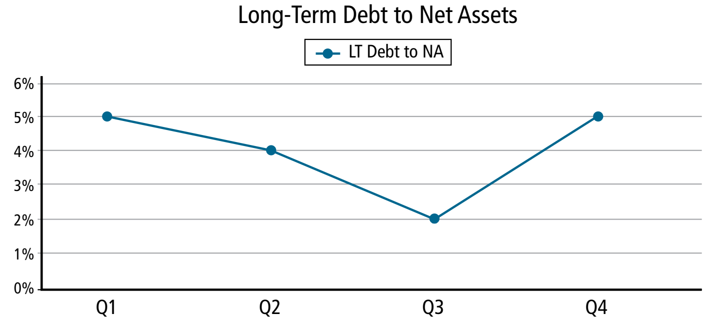
Months of Liquid Unrestricted Net Assets



Cash Flow from Operations



Long-Term Debt to Net Assets



driving that increase and what can be done to bring it closer to the goal. This is the beauty of KPIs and dashboard reporting: now leadership is talking in teams about data and discussing how they can use that data to inform the next steps in a cycle of continuous improvement.

With any organization where the business model relies on the ability to earn enough dollars to cover the cost associated with running programs, you will see a focus on costs and how to keep those costs as low as possible while still delivering a quality service.

Homeownership Organization:
Key Driver - Reduced Funding Dependence

The next example focuses on a community development organization that runs a program to increase homeownership within its community. With this dashboard, the organization is addressing the question of self-sufficiency for each of the business lines related to its homeownership program. The reason for this particular focus is that the organization's leadership is aware that government funding—which currently supports these activities—will be slowly phasing out over the next few years. Therefore, if these programs are to survive, they must attain a certain level of revenue self-sufficiency. To understand how close they are to this goal, leadership needs the dashboard to help them answer the following questions: How much earned revenue is each business line generating? How much is it costing to serve each customer? Is the earned revenue sufficient to cover the costs? This organization needs a dashboard that focuses on a single priority: understanding profitability by business line.

FMA

DASHBOARD: HOMEOWNERSHIP ORGANIZATION

This community development organization increases homeownership rates by making low-interest loans, providing credit counseling, educating first-time home buyers, and rehabbing dilapidated properties. Revenue is a mix of earned income and government contracts.

Key Driver: Revenue Self-Sufficiency for Each Business Line

Key Performance Indicators

1. Track **Cost per Customer** for each business line
2. Track the **Profitability** (i.e., surplus/deficit) of each business line
3. Monitor **Earned Income** by business line

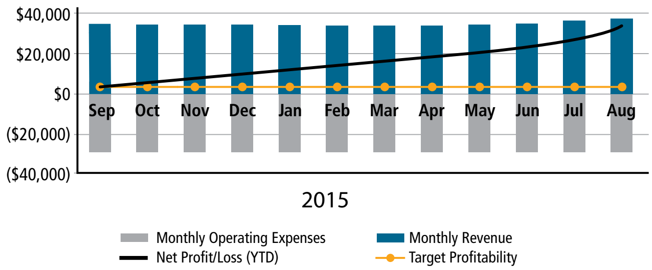
With any organization where the business model relies on the ability to earn enough dollars to cover the cost associated with running programs, you will see a focus on costs and how to keep those costs as low as possible while still delivering a quality service. In this example, the dashboard is tracking the cost associated with serving each customer, over time, broken down by business line (see the homeownership nonprofit chart, following page; note that we are only breaking out two of the business lines in the top two charts—the bottom two include all four lines). On the bottom-right side of the dashboard, there is a new element that hasn't been included in any of the previous dashboard examples: a table showing three-year trends in cost, by the subcategories that make up each business line. Sometimes the devil is in the details, and graphing out this much data on one chart would have been either overwhelming or illegible. So, if a board member or a program manager wants to drill down and see more detail, a chart like this might provide a deeper perspective on why a business line is doing better or worse, what the trend has been over time, and how its individual components are changing.

To further enhance the table in the bottom-right corner, the organization could consider adding the goals by category for 2016, so that leadership can start to shape what they will do to achieve those goals.

Looking at the lending profitability table (top left chart), you can see how this organization is tracking profitability for their lending business line. Monthly expenses for the program show up in gray in negative numbers, while the earned revenue that comes in each month is charted in positive territory in blue. The target profitability for this business line is just above break-even, as represented by the orange line, and marks the point at which this program is self-sustaining. Actual profit (or loss) is charted cumulatively, compounding on a monthly basis over time. The data shows this business line to be on track, but as program leaders or board members look at this data, they should consider the following questions: What defines success for this business line? What might the organization do to adjust profitability and effectiveness?

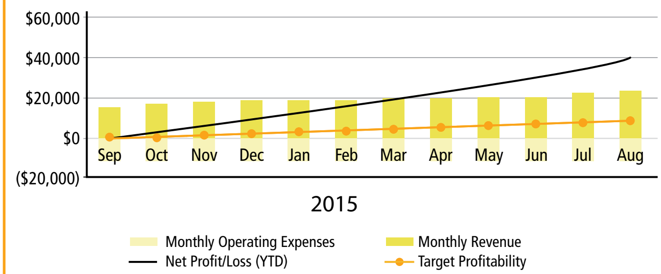
HOMEOWNERSHIP ORGANIZATION: FINANCIAL PERFORMANCE

Lending Profitability
Year-to-Date



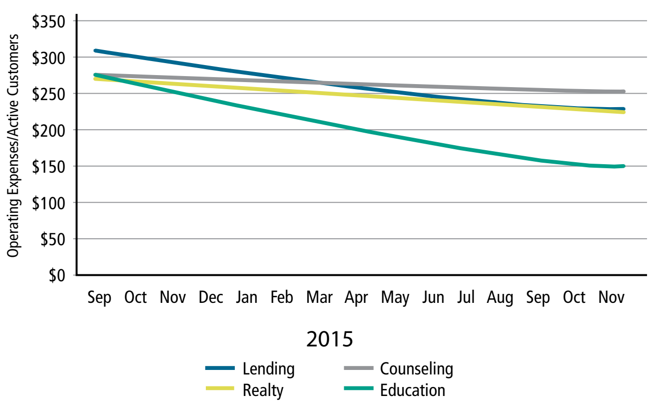
Key Strategic Question: How is the lending business line performing over time, from a profitability standpoint?

Realty Profitability
Year-to-Date



Key Strategic Question: How is the realty business line performing over time, from a profitability standpoint?

Cost per Customer
Cumulative, 12 months rolling



Key Strategic Question: What is the average cost to deliver services per business line? Are costs increasing or decreasing in each business line over time?

	PRODUCT	COST PER CUSTOMER		
		2013	**2014**	**2015**
LENDING	1st Mortgage	$362	$308	$215
	2nd Mortgage	$359	$305	$214
	Servicing	$419	$356	$249
	Loan Processing	$478	$406	$284
	Lending Total	$405	$344	$241
REALTY	Listing	$304	$274	$246
	Selling	$280	$252	$227
	Realty Total	$292	$263	$237
COUNSELING	Pre-Purchase Counseling	$268	$241	$239
	Credit/ Financial Capabilities	$356	$320	$317
	Other Counseling Services	$254	$228	$226
	Counseling Total	$293	$263	$261
EDUCATION	Pre-Purchase Education	$415	$270	$148
	Credit / Financial Capabilities	$425	$277	$152
	Education Total	$421	$274	$151

Performing Arts Organization: Key Driver - Retention

Performing arts organizations have some similarities to our first example; in fact, they are like child-care centers in a number of ways. There is a finite number of seats or slots and the organization wants to make sure it is maximizing the revenue potential of this seating, which turns into dollars for the organization.

DASHBOARD: PERFORMING ARTS ORGANIZATION

With a mission of making dance more accessible to the public, this organization has both a dance company and a school. Its goal is to increase revenue so it can afford to hold more free performances for the community.

Drivers: Optimizing Pricing and Maximizing Attendance

Key Performance Indicators

1. Analyze the **Median Revenue for Performance**
2. Monitor **Enrollment** in the summer workshop series
3. Track the **Retention Rate** at the academy
4. Monitor the **Percentage of Performance Weeks**, when they are able to offer a free public show

In the performing arts example we present here (below), in addition to the performance side (which is a dance company) there is also a school, and the school is intertwined with the dance company. Just as the performance side needs the same customers to come back as audience members for each new production, so does the school want to retain their students at the academy. So, on both sides there are some questions about retention.

You'll see that this dashboard is constructed differently from the other ones we've presented here. For one thing, this dashboard is less about history and trends and more about tracking progress toward goals. But, more to the point, in order to highlight the impact of a more simply constructed dashboard tool, we've included this as an example of a format that does not rely on charts, graphs, and pictorial representations of data, but rather is just a simple table that can be created and updated in the most basic of word-processing platforms or spreadsheets. This is the easiest type of dashboard to create and maintain over time, though it does take a bit of work to ensure the information is as meaningful as what we see in dashboards with a more complex presentation.

As in the dashboard for the health clinic, here we are also looking at months of LUNA—but in this case for a different reason. Performing arts organizations are often faced with the reality of production costs that are front-loaded: performers, directors, set designers, and the like must be paid during the preproduction phase, before any ticket-sales revenue is realized. For this reason, it is critical that a dance company have sufficient liquid resources to float these costs well before the box office receipts come in. Here, you can see that the organization has set a goal of three months of LUNA in reserve, but it is falling somewhat short of that target as of this reporting period.

Note that in this example, we are using stoplight color coding. How you define your targets (i.e., what will show up as red versus yellow versus green) is where performance management really becomes a philosophy for the organization. The question is: How will you determine that you're way off course or that you're within range but not there yet? Defining those categories is easier in some cases than in others. In the case of summer workshop enrollment, the organization needs to have at least 315 students enrolled or it is off target

As in the dashboard for the health clinic, here we are also looking at months of LUNA—but in this case for a different reason. Performing arts organizations are often faced with the reality of production costs that are front-loaded.

PERFORMING ARTS ORGANIZATION

Recording Period: June — Fiscal Year End: December

Category	Key Performance Indicator (KPI)	Last Period	Current Period Actual	Target
Balance Sheet Strength	**Months of Liquid Unrestricted Net Assets (LUNA)**	2.2	2.5	> 3 mos Meets Target 1–3 mos Within Range < 1 mo Off Target
Operating Results	**Fiscal YTD Operating Margin (Surplus/Deficit as % of Revenue)**	2%	8%	> 5% Meets Target 2–5% Within Range < 2% Off Target
Program Financial Performance	**Median Revenue per Performance**	$10K	$13K	> $15K Meets Target $12–$15K Within Range < $12K Off Target
Program Financial Performance	**Percentage of Performance Weeks with Free Public Show**	12%	10%	> 20% Variance Meets Target 15% to 20% Within Range < 15% Off Target
Program Financial Performance	**Summer Workshop Enrollment**	325	310	>/= 315 Meets Target < 315 Off Target
Program Financial Performance	**Academy Retention Rate**	88%	96%	> 95% Meets Target 85% to 95% Within Range < 85% Off Target

Legend: Meets or Exceeds Target — Within Range of Target — Significantly Off Target (as is the case here). But retention rates for the academy are more nuanced: over 95 percent retention is the ultimate goal, but between 85 percent and 95 percent is still within range (i.e., yellow). So, defining what's close enough to avoid going on a red alert is where you engage your board and your management staff. It's wonderful when you ask the staff for input on what success looks like to them, to what they want to be held accountable, and what celebration will look like. This is a discussion that builds accountability through engagement. Whether a result is defined as red, yellow, or green is a very simple idea, but coming up with those targets is where a common understanding of success can really be forged.

If the organization's board were looking at this report, it would be immediately clear that the focus should be on enrollment in summer workshops and the number of free shows offered to the public. All of the other metrics are either on target or within the range of the desired goal. This is the benefit of setting and displaying clear, color-coded targets on a dashboard tool: they filter out the noise and focus your decision makers on the areas where action is needed.

Creating and Implementing Dashboards

START WITH THE BIG PICTURE

- Understand the **Target Audience** for the dashboard: Is it the board? Leadership? Program managers?
- Explore and understand your organization's **Business-Model Drivers**
- Determine KPIs in an **Inclusive, Team-Based Process**
- Begin to cultivate a **Culture of Data-Driven Decision Making** at your organization

How to Jump-Start the Dashboard Process

When creating a dashboard, start with the big picture: Identify the audience and understand how to engage it. Have the conversation to define business model drivers and key levers inherent in your program service-delivery model. Choose KPIs in a thoughtful, team-based process that is inclusive of the right staff and board members. Recognize that defining and reevaluating KPIs is an ongoing process: as your organization's strategies, goals, and operating environment change, your KPIs will need to shift as well. If it doesn't yet exist—which is the case for many organizations—begin to cultivate a culture of data-driven decision making among the staff and board. Ask whether your team is comfortable with interpreting and using data, and if not, what help they might need to get there.

When it comes time to put the dashboard-reporting framework into action, a new round of (potentially overwhelming) questions will emerge: Where is the data for the dashboard going to come from? Who will be accountable for collecting the data? How will the dashboard be updated, and how often? What platform should we use to create the dashboard? If building, populating, and maintaining a dashboard is a team effort, how do I ensure the team has the necessary skills to navigate different databases and spreadsheets and visualize data in the most effective way?

But in the end, in some cases, a simple one-page, table-based dashboard—such as the performing arts example—is all you need to jump-start the process of dashboard reporting. Rather than getting bogged down in questions of presentation, analytics, and software platforms, focus on the most important part of the process: defining those key drivers and metrics, and putting something in front of your board and staff that—with simple stoplight coding—will immediately shift attention to the most pressing issue at hand.

PUT YOUR DASHBOARD PLAN INTO ACTION

- Create a **Cross-Functional Team around Data** at your organization
- **Define Accountability** for each data point being measured
- Set parameters about who will **Maintain and Update** the dashboard and how often it will be updated
- Develop the **Data Analytics** skill set of staff
- Choose an **Appropriate Platform** for dashboard reporting

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It's wonderful when you ask the staff for input on what success looks like to them, to what they want to be held accountable, and what celebration will look like. This is a discussion that builds accountability through engagement.

Self-Coaching Strategies *for* Nonprofit Leaders

by Jean Lobell, Pavitra Menon, and Mohan Sikka

THE ARTWORKS IN THIS ARTICLE ARE, IN ORDER OF APPEARANCE: "BLUE BIRDS"; "LAMPION"; "STAR"; "CAKE"; "PUFFINS"; AND "BLOCK" BY JASPER OOSTLAND/WWW.JASPEROOSTLAND.COM

Editors' note: *This article was adapted from* Meeting the Job Challenges of Nonprofit Leaders: A Fieldbook on Strategies and Actions *(Center for Creative Leadership, January 2015; www.ccl.org).*

There is nothing like understanding that your decisions and actions will be consequential to reinforcing learning. Therefore, learning on the job, with a lot of feedback and reflection, can be a very rich source of leadership and management development. Research reinforces over and over the value of learning through risk taking and reflection, but how exactly do we construct the cycles of consideration in our experiences to encourage continuous and humble but increasingly confident development?

This article addresses some just-in-time leadership development strategies that can provide nonprofit leaders with opportunities to shift their perspective and stretch their current repertoire of practices and competencies. It is a guide to self-coaching on leadership and management issues. The leadership issues revolve around driving change, aligning programs with mission, thinking generatively, creating a desired culture, developing strategic partnerships, and understanding one's impact on others. The management issues revolve around getting to results, developing tactical solutions, supervising individuals and teams, and managing resources.

At Community Resource Exchange (CRE), our approach is based on the belief, borne of experience, that individuals can make significant changes on their own if equipped with the right tools, which include the following:

- The right questions to ask of themselves;
- Some turnkey practices and tactics; and
- Relevant application tools for specific issues.

Our aim is to provide nonprofit leaders with tools incorporating these elements, so they can self-coach and learn from actions they take while on the job. In that self-coaching they must engage in *reframing* and *"1-2-3" steps.*

Reframing. Reframing is a common coaching methodology. The ability to shift one's perspective or paradigm can unlock a fresh approach to a daunting challenge. A nonprofit leader can learn to develop the art of reframing situations and problems so that new solutions emerge.

"1-2-3" Steps. The idea of "low-hanging fruit" led us to the notion of taking the first few relatively easy actions that one can take to address a given challenge. These steps move a leader from understanding to action and change, and are akin to "application assignments" that are used in coaching and action learning. Some of them contain self-training and self-learning components.

But these actions should be informed by what we call *relevant application tools*.

You will see this approach reflected in the examples provided over the next pages. The challenges portrayed in those examples are not simple or linear; as is true in the nonprofit leader's world, they are multidimensional and complex. There is no one solution for these challenges, and certainly no magic bullet to address them. You will note, as well, that some of the strategies we propose dovetail one with the other—and, at times, a strategy can apply to several challenges.

Our hope is to create an avenue for the nonprofit leader to begin addressing those challenges on his or her own and in his or her workplace. There are "low-hanging" developmental opportunities one can find within oneself, within the workplace, and among one's network of colleagues and friends.

Leadership and management development can be achieved effectively while on the job through self-coaching. Equipped with the right tools and strategies, such as reframing an issue, shifting one's perspective to consider a fresh approach to a daunting challenge, and beginning to tackle a problem by taking some preliminary first steps, individuals can embark on a journey of continuous, confident self-development.

Jean Lobell is director of consulting at Community Resource Exchange (CRE). Jean works with clients on leadership and organizational development, human resource management, strategic planning, and culture change. Before joining CRE, she was vice president for training and organizational development at Deutsche Bank. **Pavitra Menon** is a senior consultant at CRE. Pavitra manages leadership and management development programs, in addition to consulting work. Before joining CRE, she was at Ernst and Young in India, where she worked on a variety of human resource interventions, including organization design, competency frameworks, compensation, and recruitment. **Mohan Sikka** is a senior affiliate consultant at CRE. Mohan provides consulting and coaching services to New York City nonprofits fighting poverty and advancing social justice. Previously, he was a managing director at CRE, overseeing practice development and quality assurance in the areas of leadership development and human resource management.

Managing Individual Performance

Issue: Sustaining high performance standards, so that staff members achieve program and organizational goals, can be challenging in organizational cultures where there is a push and pull between getting to results and maintaining an environment where staff feel supported.

Why it matters: Holding staff accountable for results is key to sustaining organizational effectiveness and achieving outcomes. In addition, it would be a disservice to the staff's professional growth if the leader failed to do so.

"Deliver or else . . .???"

Sashi is the executive director of an organization that helps Asian women (primarily of South Asian descent) who are victims of domestic abuse. With a small budget of $300,000, the organization has programs ranging from a transitional home for displaced women and children, counseling services for battered women, a legal initiative that provides free legal clinics to women who cannot otherwise afford counsel, support groups to help women overcome abuse, and a public initiative that educates the broader community and law enforcement personnel on how the cultural norms and social values unique to this community impact women facing domestic abuse.

The organization does a lot with very little, and relies heavily on its staff and volunteers. In addition, staff members are not paid well in comparison with other larger nonprofits that do domestic violence work or state agencies that support this work on a statewide basis. Staff members and volunteers are from the community; some are, themselves, survivors of domestic abuse or have other difficult personal circumstances. While dedicated to the mission, many staff members do not perform at the level necessary to get all the work done. In addition, holding volunteers accountable—given they are unpaid—is challenging. Sashi is acutely aware of this fact, and she feels ambivalent about holding her staff and volunteers to the required performance levels, knowing their personal circumstances and relatively low or nonexistent salaries.

Although Sashi was challenged by the issues of managing individual performance, she made time to focus on applying the following approaches, which paid off for all concerned:

Reframing	"1-2-3" Steps	Off-the-Job Resources
Broaden one's perspective on staff engagement and support to include fostering high performance. *In her one-on-one supervisory meetings, Sashi shared her perspective and engaged the staff in exploring how to shore up their performance. She gave the same message in her discussions with volunteers.* **Redefine "holding staff accountable" as a responsibility owed to staff.** *Sashi began to see that she had been selling her staff short when she demonstrated ambivalence about expecting them to perform against standards.*	**Align mission with departmental goals that translate to individual goals and objectives.** *Sashi worked with each staff member and volunteer to finalize individual goals for every quarter and a timeline for achievement. She also established where they needed support, and put the necessary systems in place. She discussed with volunteers mutually fulfilling ways in which they wanted to be leveraged.* **Be consistent about assessing performance against goals and expectations.** *She consistently reviewed progress against goals in one-on-one supervision meetings. She established clear criteria for success and consequences for not meeting goals.*	**Meet with colleagues in organizations who employ former clients/participants as staff and volunteers.** *Sashi established regular communication with a former colleague who runs a rape crisis and antiviolence support center, to learn about the approaches her colleague used to hold staff and volunteers accountable for results.* **Read articles about managing performance and handling underperformers.** *Sashi went to the websites of professional organizations focused on human resources management to locate articles that might give her perspective and strategies to address her challenge.*

MANAGING INDIVIDUAL PERFORMANCE

TURNKEY COMPETENCIES, SKILLS, AND KNOWLEDGE

- Aligning mission, program strategies, and individual goals
- Communicating feedback in a way that gets heard and motivates staff to perform better
- Setting goals and planning a course of action to ensure that work is performed effectively and completed efficiently
- Conducting effective performance discussions during supervisory meetings and the annual performance review
- Engaging and managing volunteers

RESOURCES

Books

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Managing Suboptimal Infrastructure

Issue: Nonprofits often lack resources to invest in systems that improve efficiency in the long run, such as finance, human resources, information technology, and knowledge management; they have to manage these functions on an ad hoc basis.

Why it matters: Nonprofits must get to results and manage program and operations even amid these gaps.

"Sometimes we hold it together with spit and baling wire."

Hector is the relatively new program director of a small, community-based preventive-services agency providing parent education, counseling, and casework to prevent children going into the foster care system.

As the organization is funded and subject to review by a government agency, employees are required to meet various protocols and standards, such as maintaining two contact sessions per week for each client, submitting case notes within twenty-four hours, and weekly clinical supervision.

Hector found that his agency's internal systems and processes, especially IT and HR, were not organized to support the government agency's protocols, resulting in staff who sought to comply with these requirements feeling overwhelmed by the paperwork and sometimes resigning as a result. In a few cases, he also discovered the troubling practice of staff indicating client contact simply to meet the reporting requirements. Without a full-time HR manager, dealing with personnel and disciplinary challenges became an ongoing headache. At the agency level, they were falling behind on timely and accurate contract deliverables and at risk of losing their contract.

To address the challenge of suboptimal infrastructure, Hector stepped back from the day-to-day minutiae of infrastructure concerns and tried the following approaches, with good results:

Reframing	**Shift from siloed roles to shared responsibilities.** *Hector recognized that the absence of dedicated IT, fiscal, or HR staff meant that there needed to be shared responsibility within the agency for managing these functions.* **Move from sophisticated processes to "good-enough" protocols.** *Hector realized that not being able to create perfect systems should not be a stumbling block to trying to improve processes.* **View the absence of systems as a chance to innovate.** *He began to see how a loosely regulated environment created opportunities for creativity and innovation.*
"1-2-3" Steps	**Establish a cross-functional team to determine a workable solution for the agency.** *After some problem analysis, the team was able to establish a basic level of critical protocols that supported adherence to government agency requirements while streamlining nonessential guidelines that created a burden on employees.* **Use professional services in the open marketplace, or share back-office functions when it's impractical to build internal capacity for support functions.** *Because the agency was too small to hire full-time IT, fiscal, or HR personnel, Hector looked into sharing or outsourcing these functions, and made decisions based on efficiency and ease of service delivery.*
Off-the-Job Resources	**Get external training on available tools and technology that can raise internal capacity.** *Hector and his staff signed up for a free webinar and learned some tools (such as using shared calendars and folders) to streamline communication systems.* **Explore how other organizations have developed innovative, client-centered systems.** *Hector met with leaders of other nonprofits who have initiated incentives for staff to create client-centered systems.*

MANAGING SUBOPTIMAL INFRASTRUCTURE

TURNKEY COMPETENCIES, SKILLS, AND KNOWLEDGE

- Thinking outside the box
- Encouraging managers to think beyond a narrow role
- Managing teams across functions and roles

RESOURCES

Books

- van Oech, Roger. *A Whack on the Side of the Head: How You Can Be More Creative*. New York: Business Plus, 1998.
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Managing Differences

Issue: Nonprofit leaders partner regularly with a complex mix of stakeholders mentioned earlier. Each of these stakeholder groups has its own goals, concerns, and agendas. Nonprofit leaders must be adept in working with individuals and groups who have diverse personalities and work styles, above and beyond differing agendas, interests, and persuasions.

Why it matters: Nonprofit agendas are often cross-sectoral, requiring collaboration with multiple partners for success. A focus on one set of stakeholder interests over others has the potential to distract leaders from mission-critical activities or from the fundamental goal of client impact. Although managing these personality and style differences may be a challenge, such diversity can also be a rich source of stimulating perspectives and creativity. If one can harness this wealth of diverse ideas and approaches, then so much the better for the sector.

"What a cast of characters!"

Clara is the executive director of a large community center based in a major city. The center is known for housing and advising various start-up groups that are trying to establish themselves and then move on to their own offices, as well as for its generous meeting and program facilities. More recently, the center began to develop an advocacy agenda to support immigration reform. Then, other interest groups voiced their desire to be part of the center's advocacy agenda—more specifically, for the LGBT community and for environmental justice.

As Clara began meeting with the leaders of these groups, their passion and determination for their specific issues became evident. As discussions progressed, a clash of personalities and styles surfaced. In addition, these leaders represented a range of generations, including millennials, Gen Xers, and baby boomers, who are influenced by their period's economic, political, and social events—resulting in divergent opinions on almost all issues. Their preferred approaches to advocacy and community organizing for immigration reform, LGBT issues, and environmental justice differed, their perspectives about what might work were not always compatible, and their interpersonal styles varied. "What a cast of characters!" Clara thought at first. However, she realized that these leaders cared deeply about issues that mattered to their constituencies; and one thing they had in common was their sense of urgency about the issues they cared about. If she and her small management team could facilitate those meetings in a way that minimized unproductive exchanges and leveraged the strengths of each leader, then they could find ways to support these advocacy concerns.

After some discussions with her management team about the challenge of managing differences, Clara tried the following approaches, and was pleased with the results:

Reframing	**Shift "hodge-podge perspective" to finding common ground.** *Rather than focus on the differences in personality and style, Clara surfaced what they had in common. In addition to a sense of urgency, they all wanted to have a voice in decisions that affected their cause; channels to impact public opinion; and effective ways of mobilizing the community.* **Move from efforts for uniformity to mining the richness of diversity.** *Clara discovered that the different perspectives, approaches, and styles complement and supplement each other. It was a safeguard against "groupthink."*
"1-2-3" Steps	**Convene all relevant parties.** *Clara and her management team convened the key leaders of the three loosely structured advocacy groups. The all-day session resulted in an initial plan on how to approach the development of the center's advocacy agenda. There was a lot more work to do, but it was a good start.* **Make time to learn more about strategies for managing differences.** *Clara and her team read a couple of books on the topic and had two discussion sessions to share learning and insights. They then discussed how they might apply those strategies in their future interactions with the advocacy groups.*
Off-the-Job Resources	**Meet with the heads of coalition organizations that work with different groups.** *Clara had lunch with two colleagues who lead advocacy coalitions to learn from their experiences in managing different personalities and how to manage conflicts when they arise.* **Do some research on how different styles work.** *Clara realized she needed a handle on how different interpersonal and communication styles work. She did some research and read articles on how each style prefers to work and how they complement each other.*

MANAGING DIFFERENCES

TURNKEY COMPETENCIES, SKILLS, AND KNOWLEDGE

- Finding common ground among different personalities and work styles
- Managing and conducting difficult conversations

RESOURCES
Books

- Runde, Craig E., and Tim A. Flanagan. *Becoming a Conflict Competent Leader: How You and Your Organization Can Manage Conflict Effectively*. 2nd ed. San Francisco: Jossey-Bass, 2013.
- Weisbord, Marvin R. *Discovering Common Ground: How Future Search Conferences Bring People Together to Achieve Breakthrough Innovation, Empowerment, Shared Vision, and Collaborative Action*. San Francisco: Berrett-Koehler, 1992.
- Stone, Douglas, Bruce Patton, and Sheila Heen. *Difficult Conversations: How to Discuss What Matters Most.* New York: Viking, 1999.

Managing Personal Impact and Effectiveness

Issue: Nonprofit leaders tend not to make the time to pause and reflect on their own leadership and management style and to consider how this impacts their relationships with clients, colleagues, partners, and other stakeholders.

Why it matters: Experience as well as research show that leaders who are more "behaviorally complex"—that is, those who have greater self-awareness of their own behavior and have built an adaptive style—are more effective in leading others to decisions, sustaining long-term relationships, and getting to results.

"Take me or leave me."

Bill was hired to be the turnaround artist at a settlement house that was losing programs and revenue under a popular but ineffective outgoing leader. He spent a year leading the board and executive team in identifying the agency's core lines of business, consolidating programs, and rebuilding funder relationships. Clear performance benchmarks were set for staff at all levels, and those who did not meet expectations were transitioned to different roles or let go.

While performance and revenue began to rebound after a year, morale took a nosedive. When interviewed by a consultant, even high-performing staff complained of Bill's authoritarian and overly directive style, and of not being listened to when they had good ideas to share. Staff said they were staying because they had a commitment to mission, but several were actively engaged in a job search or updating their resumes. When the consultant shared these results with Bill, his first response was annoyance: "Do they realize what it took to turn this ship around? If they don't like strong leadership, they are free to work elsewhere."

On further reflection, and after several discussions with the consultant and his board chair, Bill decided to address the challenge of personal impact and effectiveness. He tried the following approaches, with good results:

Reframing	"1-2-3" Steps	Off-the-Job Resources
Make room for a variety of styles, depending on the performer and situation. *Bill realized that some staff needed task direction, others needed affirmation and support, and still others needed largely to be left alone. A moment of diagnosis could smooth the way forward.* **Accept shared responsibility for low morale.** *Bill acknowledged that his own behavior had a role in creating the current situation and that he himself had room to grow as a leader and human being.* **Realize that assessment and reflection are important precursors to moving strongly ahead.** *He began to see that rapid and relentless change leaves people depleted, and that moments of recharge and reflection are needed for both personal regrouping and clarifying the best way forward.*	**Use "situational leadership."** *Bill began to assess, often with staff's input, what level of support performers needed for which tasks. This investment in diagnosis, with some check-in moments during supervision, allowed him to modulate his approach from his fallback directive style.* **Make room for openness and direct feedback.** *Bill took the lead in showing vulnerability by publicly admitting his blind spots and areas of growth and inviting "feedback without retaliation." He instituted an "office hours" policy where people could express concerns in private. He took part in a 360° assessment of his leadership skills, and invited other managers to do the same.* **Create structure for reflection and for team building.** *He supported the executive team in developing a quarterly reflection retreat for as long as the agency was in transition. The mandate for the retreat was both strategic assessment and team building.*	**Find an executive coach experienced in relationship skills.** *Bill engaged a change consultant in an ongoing coaching relationship, with a focus on social, emotional, and personal-impact skills.* **Create room for personal reflection and renewal.** *Bill started to schedule "appointments" with himself to assess his own perspective on things.* **Read about effective interpersonal behaviors.** *He worked with his coach to identify books and articles related to emotional intelligence and the value of using relationship-building skills at work.*

MANAGING PERSONAL IMPACT AND EFFECTIVENESS

TURNKEY COMPETENCIES, SKILLS, AND KNOWLEDGE

- Adapting to staff member's strengths, motivation, and readiness
- Using emotional intelligence to constructively negotiate one's own and other people's emotional state
- Using interpersonal styles and behaviors appropriate to person and situation

RESOURCES

Books

- Lee, Robert J., and Sara N. King. *Discovering the Leader in You: A Guide to Realizing Your Personal Leadership Potential*. San Francisco: Jossey-Bass, 2000.
- Blanchard, Ken H., Patricia Zigarmi, and Drea Zigarmi. *Leadership and the One Minute Manager: Increasing Effectiveness through Situational Leadership.* New York: William Morrow, 1985.

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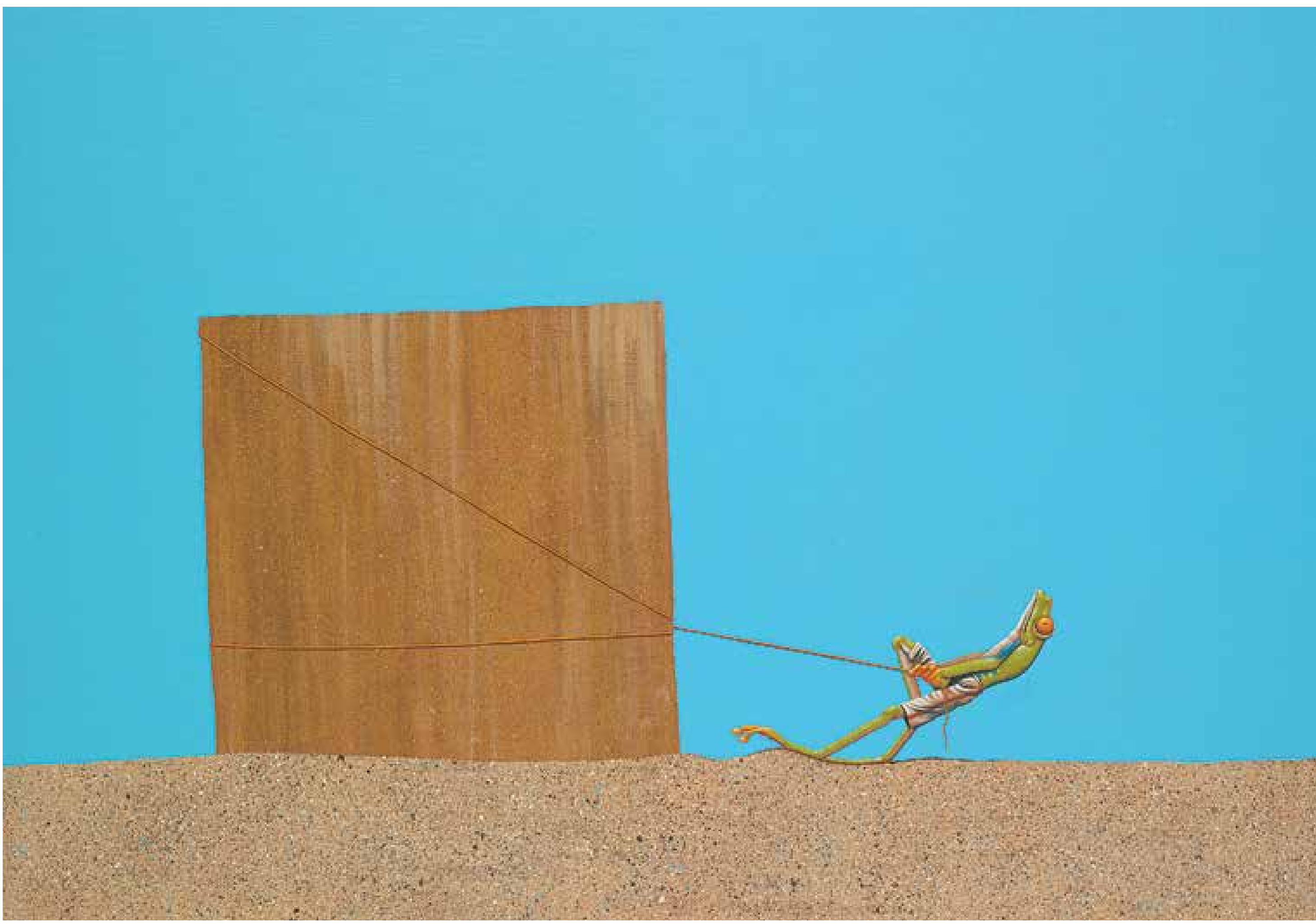
Managing Burnout

Issue: All the challenges that come with functioning in a high-demand, low-resource environment exacerbate the nonprofit leader's level of stress. Additionally, lack of time for self-care impacts the ability to cope with stress.

Why it matters: Sustained high levels of stress have a direct impact on productivity, effectiveness, and the ability to "stay in the game" for the long haul—a combination of symptoms referred to as *burnout*.

> **"I feel like I'm in a 24/7 spin cycle."**
>
> Brian always prided himself on his stamina for work. As a classic achiever, he thrived on accomplishment; however, after a year of being a new executive director at a grassroots advocacy group, he began to notice some changes in his mood and energy. He wasn't able to sleep well, home and family commitments began to be neglected, and, even in "leisure moments," he found himself thinking about uncompleted tasks and imminent deadlines. Friends told him he looked and sounded anxious, which only added to his stress level. As someone deeply motivated by the mission of his chosen organization, he was surprised to find himself having fantasies about quitting and doing something completely different with his life. After speaking with his mentor about some of his feelings and behavior, Brian realized that he needed to address and manage stress in his life.



Addressing the challenge of burnout was a real struggle for Brian, but after much reflection he gathered his energies toward the following approaches, which he later found rewarding.

Reframing	"1-2-3" Steps
Recognize that being overwhelmed is a choice. *In discussions with his mentor, Brian began to notice where he tended to hold onto things he could delegate and where he jumped into a set of tasks without prioritizing.* **Embrace the porous work–home-life boundaries.** *Brian realized that strict separations between the categories of professional and personal life were not realistic in his role and that he needed a more holistic approach to managing his personal needs.* **Make space for the inevitability of challenging moments.** *Rather than fighting stress whenever it appeared, Brian realized he needed to regulate its amount and frequency.* **Embrace leisure and recreation as a necessary ingredient of productivity.** *He noticed that downtime allowed him to be more effective in a more sustained way, and this allowed him to see recreation as part of success rather than a deviation from it.*	**Make weekly planning a habit.** *Brian began to spend his Monday mornings prioritizing and delegating tasks as well as calendaring time for project "hand-over" to other staff.* **Make time for breaks in a long day.** *Brian began to fit in exercise and even lunch with a friend in the middle of his work day, knowing that waiting for the end of the day was often unrealistic. He did this in a transparent way, so that his staff understood that, in his position, his time needed to be flexible.* **Adapt your working environment to your personal needs where possible.** *When Brian had an unavoidable conflict between work and family commitments or a packed day with multiple priorities, he began to telecommute from home and attend meetings by phone and Skype. This saved on commuting time and allowed him to balance home and professional spheres more effectively.* **Find a buddy for the moments when stress reaches a red-flag level.** *He began to become conscious of the days when he had the "pile up" feeling, and made an agreement with a trusted colleague to vent and speak through his priorities before jumping into overdrive. This allowed him both to take a quick break and have space to determine what was truly urgent and what could be reprioritized.* **Make time for—and commit to—vacations where you are unreachable.** *Starting with small time frames, Brian began to model being away and unreachable. As part of this, he made the up-front commitment to training two senior staff to manage in his absence.*

MANAGING BURNOUT
TURNKEY COMPETENCIES, SKILLS, AND KNOWLEDGE • Effectively managing one's time, attention, and resources to ensure that work is completed efficiently • Managing stress effectively • Effectively delegating by allocating decision-making authority and/or task responsibility to (appropriate) others • Using remote access and telecommuting technologies, including document and calendar sharing **RESOURCES** **Books** • Lee, Robert J., and Sara N. King. "Balance Your Work Life and Your Personal Life." In *Discovering the Leader in You: A Guide to Realizing Your Personal Leadership Potential*, 101–34. San Francisco: Jossey-Bass, 2000. • Lencioni, Patrick M. *Death by Meeting: A Leadership Fable . . . About Solving the Most Painful Problem in Business.* San Francisco: Jossey-Bass, 2004. • Covey, Stephen R., A. Roger Merrill, and Rebecca R. Merrill. *First Things First: To Live, to Love, to Learn, to Leave a Legacy*. New York: Simon & Schuster, 1994. • Allen, David. *Getting Things Done: The Art of Stress-Free Productivity.* New York: Vintage, 2001. • Kossek, Ellen Ernst, Marian N. Ruderman, Kelly M. Hannum, and Phillip W. Braddy. *WorkStyle Profile: Increasing Your Effectiveness On and Off the Job*. Greensboro, N.C.: Center for Creative Leadership, 2010.

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Keeping It in Reserve:

Grantmaking for a Rainy Day

by Hilda H. Polanco and John Summers

Given the financial constraints and revenue volatility within which organizations often operate, reserves are a critical element of financial equilibrium, organizational infrastructure, and continuous programmatic development. Polanco and Summers advance an argument for the funding of reserves.

Recent years have seen a gradual but marked shift in philanthropy, from a traditional emphasis on program- or project-focused restricted grantmaking to more flexible funding that enables organizations to build their management infrastructure in addition to (and in support of) delivering programs. This trend parallels the growing awareness within the nonprofit sector of the critical role management capacity plays in an effective and sustainable organization, as publicized by campaigns such as the Overhead Myth,[1] essays like "The Nonprofit Starvation Cycle,"[2] and Dan Pallotta's now-famous TED talk.[3]

Hilda H. Polanco is the founder and CEO of FMA, a management consulting firm focused on building the financial and operational strength of nonprofit organizations. **John Summers** is FMA's director of consulting services.

"HAVE YOU EVER SEEN THE RAIN COMING DOWN ON A SUNNY DAY" BY KASIA DERWINSKA/WWW.MAGIC-ART-PHOTOGRAPHY.EU/

Of course, there's probably nothing less sexy in philanthropy than writing a check to build a grantee's reserves.

While the demonization of overhead and reluctance among many institutional and individual donors to support nonprogrammatic functions certainly still exist, we now have the first stirrings of a potential critical mass of grantmakers, nonprofit leaders, and other sector stakeholders dedicated to breaking the association of overhead with waste and forging a new association of overhead with sustainability and effectiveness.

So, having only just gained some collective traction around the value of grants for general operations, it may seem premature to make a case for a type of grantmaking that, if anything, departs even further from the traditional program-focused model. Nonetheless, that is the case we will be making in this article: to highlight another potential item in the philanthropic tool kit for supporting and strengthening grantees. This is grantmaking that *bypasses operations altogether* and instead looks to strengthen the financial position of grantees by providing funding for financial reserves and liquidity.

Of course, there's probably nothing less sexy in philanthropy than writing a check to build a grantee's reserves. By design, it doesn't translate to a number of meals served, performances presented, or children taught to read. "We made twenty grantees' balance sheets look better" isn't the kind of outcome statement that gets trumpeted in a foundation's annual report. But, given the financial constraints and revenue volatility within which many nonprofits operate, reserves can be a critical source of financial security for organizational leaders and, for some, literally the difference between sustainability and collapse.

The practice of building grantees' reserves is still so uncommon that there is no single term for it (for grants that are not program specific, we have *general operating support*). Names we have encountered for this type of funding include *reserve grants*, *liquidity grants*, or even *balance sheet grants* (all accurate, but none particularly inspiring). This type of funding is also different, at least in spirit, from the growth capital or equity-like investments promoted by more progressive nonprofit funders and stakeholders such as the Nonprofit Finance Fund and the F.B. Heron Foundation. Those kinds of investments seek to imitate for-profit equity stakes, with a particular focus on creating the capital structure necessary for scale. Our focus here is on grants made primarily for purposes of establishing (or bolstering) an operating reserve as a hedge against real or potential cash-flow challenges.[4]

In this article, we will examine a few examples of reserve grantmaking by funders who have experimented with the practice, sharing lessons of what to do—and not to do—to make these grants effective in supporting nonprofit sustainability. Above all, the key to a successful reserve grant is ensuring that the grant recipient has the appropriate knowledge, understanding, and—most critically—buy-in as to the nature of the support and its purpose of building financial resilience and sustainability over the long term.

What Reserves Are and Are Not

In the past, those foundations seeking specifically to support long-term financial health and sustainability among grantees have mostly done so through contributions to endowments and endowment campaigns, which tend to be limited to major cultural institutions and other nonprofits with long time horizons. But as Clara Miller, president of the F.B. Heron Foundation, and others have noted, a permanently restricted endowment, especially one that commits an organization to particular future activities, may not always be an advantageous form of capital for every organization.[5] In any case, every nonprofit still needs access to a stable financial base that will allow for meeting day-to-day cash needs, weathering financial downturns, and investing in new opportunities—accessible, relatively liquid resources that can be tapped as needed to strategically support organizations' execution of their missions.

On the nonprofit balance sheet, such resources are represented as *unrestricted net assets* (available for use at the discretion of organizational leaders), unlike *temporarily restricted net assets* (which are designated by a funder to be used for a specified purpose or within a particular time frame) or *permanently restricted net assets* (endowments from which organizations can typically only use income derived from their investment).[6] But even unrestricted net assets have limitations, because this figure includes whatever value an organization holds in the form of buildings, property, equipment, furniture, and other illiquid assets. (While a well-furnished office is a good and valuable thing, try convincing an employee or a vendor to accept the conference room table in lieu of a check.)

At FMA, we use the term *LUNA* to refer to an organization's *l*iquid *u*nrestricted *n*et *a*sset balance—that portion of an organization's net assets that exists in a liquid form and can be used at management's and/or the board's discretion.[7] LUNA represents an organization's true financial reserve position: resources that are neither committed to specific uses (or, in the case of endowments, committed to not be used at all) nor tied up in fixed assets or other illiquid investments. Organizations examining their balance sheets through this lens often come to the realization that their financial reserve position is, in fact, very tenuous; indeed, it is not uncommon for an organization to have a *negative* LUNA balance, indicating that funds are in essence being borrowed from other asset categories (or from other sources) to cover this deficit.[8] Organizations with a negative or only narrowly positive LUNA metric have very little financial cushion to pursue opportunities or mitigate risks.

The foundations discussed below have focused on their grantees' financial resilience and sustainability by paying attention to this liquid unrestricted net asset metric as well as targeting grants and other support, toward improving that key indicator of financial health and flexibility.

Shoring Up a Shaky Balance Sheet

For most nonprofits, having an unrestricted net asset balance of zero sounds like a nightmare, but for some it is a goal (or at least a step in the right direction). Due to accumulated operating deficits over the years, some organizations find themselves in a negative unrestricted net asset position, facing both the cash-flow challenges and financing costs of carrying debt on an ongoing basis. This also proves to be one of the most difficult situations for nonprofits to fundraise their way out of, because very few funders want to give money to make up for the financial shortfalls of activities long past. In such situations, however, some foundations have been willing to take the long view by providing funding that shores up a grantee's shaky balance sheet, in order to provide a more stable foundation for the future.

One such example comes from Tipping Point Community, a grantmaker in the San Francisco Bay area committed to providing unrestricted funding as well as management assistance and expertise to its grantees. In the wake of the 2008 financial crisis and subsequent fundraising challenges, a community-based social service agency and long-time grantee of Tipping Point had fallen into a negative (unrestricted) net asset position. The organization was able to stabilize its operations at a basically break-even level, so while its accumulated deficit of around $80,000 was not worsening, it also was not improving. The time and money required to finance debt, manage credit, and juggle payables were draining the organization's financial and management resources. The executive director of this grantee described the situation as "a scary time for the organization—we almost ran out of cash. We came into the economic slowdown without realistic projections about how hard it would hit us, and got into a hole we had to work ourselves out of." He was transparent with Tipping Point about the financial situation the organization was facing, and, in turn, the foundation immediately looked for ways to offer support. "At the time, they didn't have the internal capacity for good financial forecasting and were being too optimistic in their projections," explained Elena Chavez Quezada, then a senior program officer at Tipping Point. "We got them support to build the internal systems they needed, hire the right CFO, and begin to turn things around. We also wanted to take a longer-term view and help them think about building something they had never had before: a reserve."

Based on its close collaborative relationship with this organization and its commitment to nonprofit capacity building, Tipping Point was willing to make what it describes as a "targeted investment" to help the organization begin to break out of its debilitating cycle of financial vulnerability. As Quezada described it, the intention was to

For most nonprofits, having an unrestricted net asset balance of zero sounds like a nightmare, but for some it is a goal (or at least a step in the right direction).

What the Tipping Point example shows is that the monetary award itself is only one element of a successful reserve grant. Also necessary is an organizational understanding of and commitment to the importance of a financial reserve.

create a "culture shift and mind shift" by providing the beginnings of a reserve fund that would allow the organization to reduce its dependence on costly external credit and wipe much of the net asset deficit from its balance sheet, while at the same time building a mindset of financial saving and thinking beyond the current year's programs.

The form of the grant itself supported this reorientation toward financial sustainability, because it consisted of a $20,000 matching grant, offered if the organization's board could raise $20,000 of its own—bringing the total potential fund to $40,000. (Tipping Point maintained its funding for the organization's operations, as well.) The new CFO of the organization pointed to the matching component as helping to create "much more momentum than just a one-shot grant for a reserve. It got us into the rhythm of setting money aside on a monthly basis." The board was able to meet its match requirement easily, even ahead of schedule.

At the same time, "We seriously rightsized the organization," said the executive director. "We took a realistic look at revenues and expenses and rethought how we deliver services in a way that was supportable, given our revenues. It's hard to build a reserve, because we all want to give more service—but this process included coming to the realization that in order to give that service, you have to be in a financially secure position." Without this structural adjustment, of course, the reserve would have quickly disappeared, and both sides noted that the foundation's support in terms of providing resources for financial planning and management was just as important as the cash itself.[9] "There was a whole set of support to us beyond just the dollars," the executive director continued, "in terms of help in thinking about how we do reporting, planning, and projections, and tell our financial story." Quezada concurred: "We liked the idea of a targeted investment for reserves, but without the right systems in place it wouldn't be effective. It was the financial investment but also the overall support, in terms of how to forecast what are your full costs, what is your realistic revenue, and how do you get those in line in a sustainable way."

The result of this investment and support has been, in a word used by both the funder and the organization, *transformational*. From the initial seed of $40,000, the organization's cash reserve has grown to over $300,000. Reflecting the organization's new attention to operating reserves and financial stability, the CFO noted that this amount was "halfway to where we want to be"—ultimately working toward a goal of six months of operating expenses available in reserve.

Attempting to Address Working Capital Challenges

What the Tipping Point example shows is that the monetary award itself is only one element of a successful reserve grant. Also necessary is an organizational understanding of and commitment to the importance of a financial reserve and the sometimes difficult decisions that may be required to ensure that new funds don't simply get swallowed up into underfunded operations.

Yancy R. Garrido, senior program officer at the Clark Foundation, echoes the point of ensuring this commitment from a grant recipient's full leadership team—executive staff and the board of directors—as essential for a reserve grant to achieve its intended purposes. The funder learned this lesson from a less successful strategy intended to build upon its traditional general operating support dollars (87 percent of the foundation's grants are unrestricted). The Clark Foundation had some historical experience with making grants for endowment campaigns, but following the 2008 financial crisis, Clark identified working capital as a much more critical need for the nonprofits in its portfolio. These organizations, many of which were key social service providers and heavily reliant on government contracts, were pushed to the financial brink as public funding retrenched and payments slowed down. The need for (and absence of) reserves just to manage day-to-day cash flow became overwhelmingly apparent among several of the foundation's grantees.

In response, Clark made significantly larger general-support grants to important community-based organizations to address their needs for working capital. The grants were intended to function as reserves to remedy cash-flow timing challenges in the short term but then be replenished from operating revenue and maintained as financial reserves for the long term. Unfortunately, the grants did not achieve these goals. While the results differed in the details and particulars, none of the recipients were able to make the adjustments necessary at that time to preserve the funds as a source of financial reserve and working capital. This was particularly frustrating for the foundation, because most of the organizations had, in fact, developed practical financial action plans through the use of outside consultants. However, buy-in to those plans from both executive staff and board members was lukewarm, and the consultants were not retained for what would have been a challenging implementation phase requiring difficult decisions to make operating budgets sustainable. Within the ongoing urgency of program and service delivery, the organizations directed their unrestricted resources toward operating expenses. In the absence of strategies to make the structural changes necessary to bring overall expenses in line with available revenues, the funds were quickly exhausted.

This example helps illustrate a significant lesson for this type of grantmaking: few nonprofit organizations are accustomed to receiving grants meant to be saved rather than spent. Particularly when facing a significant revenue shortfall, it can seem counterintuitive to hold funds in reserve while reducing services and making structural expense-side cuts needed to bring the budget into balance. But if a recipient treats a reserve grant as just another source to cover operating costs, then the entire point of the grant (and the financial stability it is meant to support) is lost. Garrido noted that organizations need the knowledge and the discipline, at both the management and board levels, to understand the importance and appropriate use of reserves and to keep operating revenues and expenses in balance such that the reserves can be maintained (and ideally increased) over time.

Particularly when facing a significant revenue shortfall, it can seem counterintuitive to hold funds in reserve while reducing services and making structural expense-side cuts needed to bring the budget into balance.

As Garrido described it, a lesson the Clark Foundation took from this experience is the critical importance of board members being deeply aware of their organizations' financial situation and their role in ensuring long-term sustainability, and that they participate in planning and accountability around the implementation of financial strategies. (As part of Clark's standard due-diligence practice, a grantee's key board officers are now required to be present at site visits and meetings when the grantee is under consideration for funding.) The good news is that most of Clark's grant recipients participating in this experiment did finally get their boards involved and were able to achieve the original goals, albeit several years later. Another recipient was saved through a merger into a larger entity, and yet another, unfortunately, eventually closed due to its lack of financial and leadership capacity. The foundation's ongoing efforts in this area focus particularly on board governance and achieving appropriate oversight between board and staff leadership.

Reserves as a Component of Operating Grants

The examples highlighted earlier illustrate funders attempting to address operating reserves and working capital in the context of rather urgent financial need, if not outright crisis. Ideally, however, reserves are built during times of relative calm so that they are there to draw upon when needed.

The Los Angeles, California–based Weingart Foundation has been experimenting with reserve funding in a limited way since 2011, by including a contribution to reserves as a component of a small number of its general operating-support grants. For example, explained Joanna Jackson, Weingart's director of grant operations, a

While not yet a widespread philanthropic practice, grantmaking that promotes nonprofit financial health and sustainability by explicitly strengthening reserves can be just as impactful as grantmaking to support programs.

$175,000 grant over a two-year period may consist of general operating support of $150,000 and a $25,000 contribution to reserves. Jackson noted that this openness to funding operating reserves was itself an "organic" evolution of the foundation's shift from program-specific grants toward more general operating support (what the foundation calls its core grant program), developed in response to grantee needs for flexible funding during (again) the 2008 financial crisis and subsequent recession. As the foundation saw how critical unrestricted funding can be to nonprofits trying to plug financial holes across their operations, it also began to appreciate the importance of setting something aside for the next crisis (or, more optimistically, the next opportunity). Thus, the reserve component of grants can serve the same function over the long term that unrestricted operating support does for the current budget year—namely, to provide the financial flexibility that nonprofits need to best advance their missions.

When asked what makes for a successful reserve grant, Jackson sounded a common theme with the other examples highlighted here: keying in on grantee alignment with the grant's purposes and expectations. "Never make the operating reserve gift unless the organization's leadership has bought in," she opined. The foundation's approach to these grants puts that philosophy into practice by, for instance, including the reserve component of grants when an intention to build financial reserves is an element of the grantee's own long-term strategy rather than something imposed as a condition of the grant. (Again, in the majority of cases, Weingart's grants do not include the reserve component.) While the foundation does expect that recipients will have a board-level policy addressing management of the reserve, Weingart doesn't dictate the terms of the policy or set restrictions as to the use of the funds. Because there is no additional financial benefit to having the reserve element to the grant (it is a carve-out from the overall grant amount, rather than an add-on), Weingart sees it as a way of supporting those organizations that are truly thinking proactively about their financial health and sustainability.[10] The foundation has also provided training on capitalization, liquidity, and financial health as a way of encouraging this mindset among its grantees.

Conclusions

While not yet a widespread philanthropic practice, grantmaking that promotes nonprofit financial health and sustainability by explicitly strengthening reserves can be just as impactful as grantmaking to support programs. Indeed, strategically targeted grants of this kind can have a transformative effect on organizations, allowing them to break the cycle of cash-crisis management and spend more time and energy focused on long-term planning and program delivery. Based on the experiences of the funders and foundations discussed in this article, grantmakers interested in exploring reserve grants should keep the following lessons in mind:

- Nonprofit executives and board members need to understand the significance of the balance sheet and commit to strengthening financial reserves as a key part of their long-term financial strategy. That understanding and buy-in have to be present for a reserve grant to serve as the basis for long-term financial stability rather than just plugging short-term funding gaps.
- Combining monetary grants with financial-management education can be an effective one-two punch for improving nonprofit financial resilience.
- Reserve grants can be an effective way of stimulating additional board involvement in fundraising while also building financial strength by creating a match program to increase the amount of the grant.
- Nonprofit boards should carefully govern reserves and set appropriate policies for their use and replenishment. This includes approving and monitoring a budget that allows for the preservation (and, ideally, accumulation) of reserves over time.

Grants to support nonprofit programs and operations are and will remain philanthropy's primary focus—and rightly so. The funding that foundations and donors provide to nonprofits is the lifeblood that fuels social change, services to communities, and artistic excellence. At the same time, financial security can provide those organizations with the stability they need to deliver their programs without the constant distraction (and cost) of deciding which expense can wait another month or how much credit will be needed to meet payroll. For this reason, we believe that grants intended solely as financial reserves can be a very important part of the philanthropic tool kit, helping to maximize the impact of programmatic dollars themselves.

Key Takeaways

- Financial reserves—and, specifically, the liquid portion of a nonprofit's unrestricted net assets—are a key component of organizational flexibility and sustainability.
- Foundation grants intended specifically as financial reserves—as opposed to grants that support programs or even general operations—are not common but can potentially be an effective element of a funder's philanthropic tool kit.
- A successful reserve grant requires a solid understanding—by both the grantmaker and the recipient—of the nonprofit balance sheet, the purpose and goals of the grant, and the measures necessary to maintain the reserve.
- Nonprofit boards play a central role in guiding organizations toward financial sustainability, and their involvement and responsibility are critical to the success of efforts to fund and maintain reserves.

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4. In accounting terms, reserve grants and growth capital are generally identical in being unrestricted assets on the balance sheet; thus, the distinction here is more in the spirit than the letter of the law. While there are a number of foundations and intermediaries that are active in the emerging equity/growth capital field, we have found very few that have an explicit practice of grantmaking to support financial reserves.
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8. A negative LUNA balance is itself the result of accumulated operating deficits over time.
9. Disclosure: FMA provided financial consulting services to the grantee organization during this period.
10. As in the Tipping Point example, one way in which Weingart's reserve grants have provided an additional financial benefit to recipients is by sometimes including a board match as a condition of the reserve component, thereby engaging the board in additional fundraising.

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Considerations *on* Bringing Virtual Stakeholder Dialogue *into* Organizations: *Dispersion of Control and Organizational Identification*

by Paul H. Driessen, Robert A. W. Kok, and Bas Hillebrand

As virtual communication diversifies the opportunities to engage with stakeholders, organizations are presented with the dilemma of how best to structure their stakeholder integration. Given the potential importance of those efforts to overall success, nonprofits must consider the best practices for their individual situations, matching their coordination mechanisms to the high intensity and richness of virtual stakeholder dialogue.

Editors' note: *This article is an abridged and adapted version of "Mechanisms for Stakeholder Integration: Bringing Virtual Stakeholder Dialogue into Organizations," originally published in* Journal of Business Research *(Volume 66, Issue 9), in September 2013 (www.sciencedirect.com/science/article/pii/S0148296312002457). Used with permission from Elsevier.*

ORGANIZATIONS BUILD AND MAINTAIN RELATIONships with their external stakeholders, such as customers, suppliers, governments, nongovernmental organizations, and unions. They engage in continuous communication with multiple stakeholders. Such communication has the character of a dialogue,[1] which has led to the emergence of the term *stakeholder dialogue*.[2] Organizations engage in stakeholder dialogues through so-called *boundary spanners*: organizational members and departments that are directly involved in the dialogue with stakeholders at the interface of the organization and its environment.[3]

Boundary spanners introduce stakeholder issues into the organization. Stakeholder issues need coordination to ensure that they are distributed to the right organizational members, that boundary spanners act upon promises to stakeholders, and that boundary spanners are

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"ТЕЛЕФФОН" BY ANASTASIIA GRYGORIEVA/GRYGORIEVA.COM/

prevented from contradicting each other in their communications to stakeholders. Thus, stakeholder integration is the combination of introducing stakeholder issues into the organization and coordinating organizational efforts to deal with these issues.

Once stakeholders strongly identify themselves with the organization, they are more likely to spread positive word-of-mouth, to work in the organization, to financially invest in the organization, and to buy its products or services.

Stakeholder integration has gained importance with recent technological developments that increased the ease of communication and the interconnectedness among stakeholders. Virtual communication has increased the opportunity to have a dialogue with a great number of stakeholders at the same time. Because of greater ease of communication, more and more diverse stakeholder groups can and will join in stakeholder dialogue, including stakeholders that did not participate in the dialogue before.[4] The use of the Internet results not only in *more* stakeholder issues being voiced (i.e., intensity of the dialogue) but also in *more diverse* stakeholder issues (i.e., richness of the dialogue). How can organizations deal with the stakeholder issues emerging from virtual stakeholder dialogue?

Despite the growing importance of stakeholder integration in practice, the academic discussion of such integration is underdeveloped. Most researchers treat organizations as black boxes when studying stakeholder integration, resulting in a lack of attention to the internal coordination of the issues emerging from the stakeholder dialogue.[5] Even founding fathers of stakeholder theory acknowledge that, while stakeholder theory has a lot to contribute on how to identify stakeholders and their issues, it "does fail to provide an algorithm for day-to-day managerial decision making."[6] (Although debate could exist whether day-to-day managerial decision making should fall within the realm of stakeholder theory, the managerial need for more concrete guidance in this respect is beyond debate.)

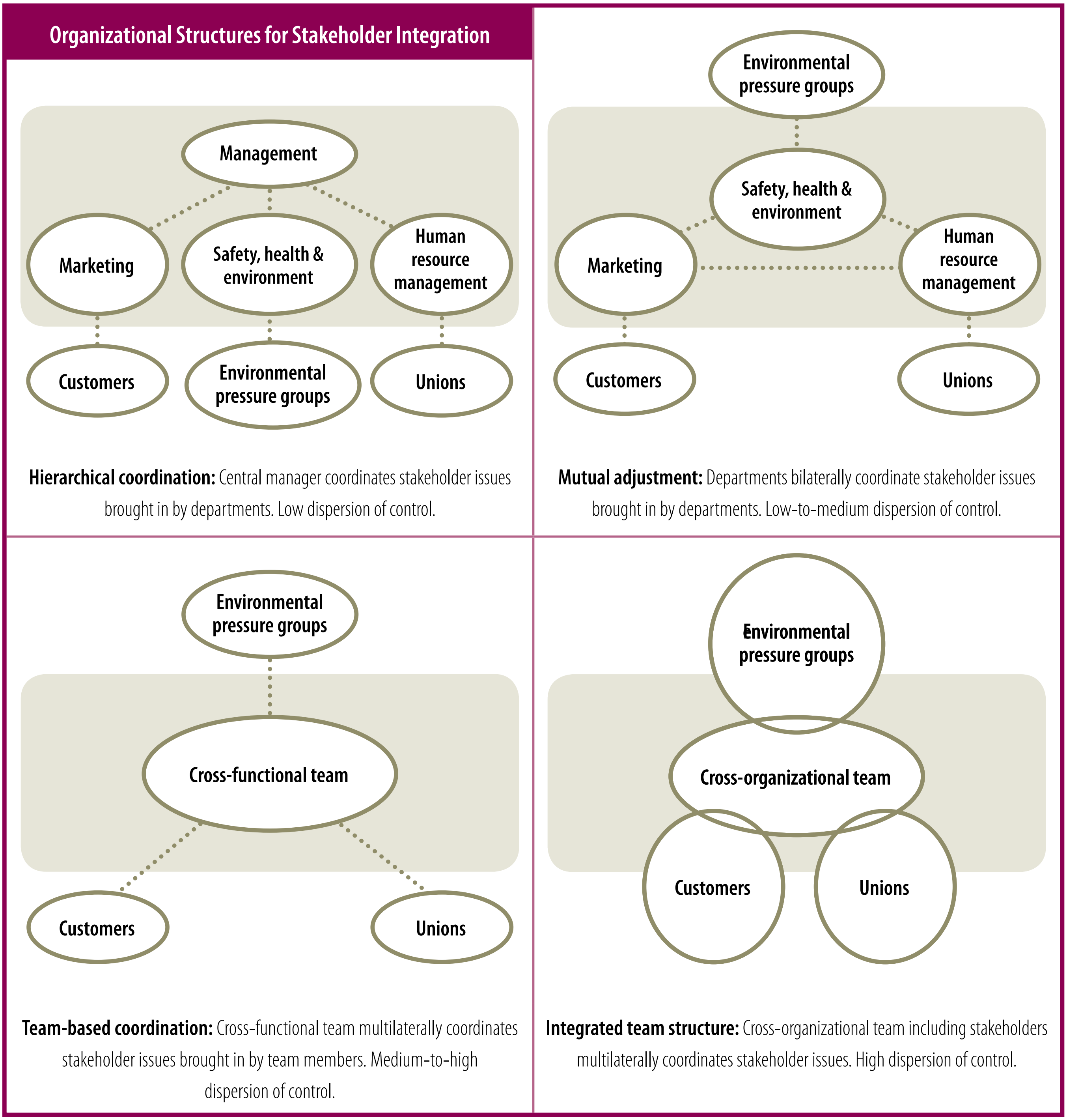
The objective of this article is to present some organizational structures to coordinate issues emerging from stakeholder dialogue. While the coordination of stakeholder issues has received scant attention in stakeholder theory, other areas of research are instructive for investigating internal coordination of these issues. Innovation management literature has extensively dealt with the question of how organizations should coordinate various organizational departments involved in product development.[7] Bas Hillebrand and Wim Biemans have noted that internal coordination and cooperation with external stakeholders are interrelated, as successful relationships with stakeholders require the firm to internally coordinate the various relationships with these stakeholders.[8]

The literature suggests a number of mechanisms that organizations can use to coordinate. Two broad categories of coordination mechanisms are distinguished: structures and systems.[9] In this article, we will focus on structures that are defined as configurational arrangements for decision making.

Structures as Mechanisms for Stakeholder Integration

The suitability of specific structures in the context of virtual stakeholder dialogue can be determined by the effects that these structures have on organizational identification. *Organizational identification* refers to the degree to which internal and external stakeholders share beliefs about the central and enduring characteristics of the organization, and reflects a bond between the stakeholders and the organization.[10] Once stakeholders strongly identify themselves with the organization, they are more likely to spread positive word-of-mouth, to work in the organization, to financially invest in the organization, and to buy its products or services.[11] In this manner, organizational identification by stakeholders leads to increased resources for the organization.[12]

In a virtual context, organizational identification is a particularly important organizational outcome, as such identification represents the "critical glue" that links stakeholders to organizations in the absence of physical meetings.[13] Literature on organizational structures suggests that the formal design of roles and administrative mechanisms helps to coordinate activities among actors.[14] Structures include bureaucratic control, temporary task forces, matrix structures, and virtual teams,[15] and may be characterized by dispersion of control.[16] Dispersion of control refers to the degree to which decision making regarding stakeholder issues is distributed throughout the organization or even beyond the boundaries of the organization.[17] In a structure with high dispersion of control, many organizational members and external stakeholders participate in decision making. While most studies have focused on organizational structures to coordinate tasks within organizations, these structures can extend beyond the organizational boundary and even include external actors.[18] Consequently, this article proposes four organizational structures to enable the coordination of virtual stakeholder issues. The following figure, partly based on Hillebrand and Biemans, shows the four structures ranked from low to high dispersion of control. (Note: The rectangular shape represents the organizational boundary.)



Organizational Structures for Stakeholder Integration

Hierarchical coordination: Central manager coordinates stakeholder issues brought in by departments. Low dispersion of control.

Mutual adjustment: Departments bilaterally coordinate stakeholder issues brought in by departments. Low-to-medium dispersion of control.

Team-based coordination: Cross-functional team multilaterally coordinates stakeholder issues brought in by team members. Medium-to-high dispersion of control.

Integrated team structure: Cross-organizational team including stakeholders multilaterally coordinates stakeholder issues. High dispersion of control.

A major challenge for organizations is to prepare internally for virtual stakeholder dialogue, because changing internal structures may prove to be difficult. Without suitable coordination mechanisms, engaging in virtual stakeholder dialogue is a superficial attempt to present a favorable appearance.

Dispersion of control has a great impact on organizational identification. In general, participation in decision making stimulates sharing organizational norms.[19] In virtual stakeholder dialogues, participating stakeholders build a shared understanding of the organization, which leads to organizational identification.[20] In a virtual context, active participation leads to increased organizational identification, because stakeholders develop a sense of ownership during the creation of shared meaning.[21] When control is dispersed among stakeholders, this sense of ownership among stakeholders is fostered. Therefore, we propose that, *in the context of virtual stakeholder dialogue, organizations with structures characterized by high dispersion of control are more likely to have high organizational identification than organizations with structures characterized by low dispersion of control.*

We argue that organizations should match their coordination mechanisms (including structures) to the high intensity and richness of virtual stakeholder dialogues. Organizations without proper internal coordination are prone to act incoherently on the issues raised by their stakeholders and likely to face poor organizational identification among their stakeholders. These organizations may not live up to the expectations raised during the dialogue. Organizations with poorly matching coordination mechanisms are likely to be common practice: anecdotal observations suggest that, encouraged by the popular press, consultants, and other organizations in the industry, many organizations decide to engage in virtual stakeholder dialogue. Such organizations are likely to focus on organizing the virtual stakeholder dialogue, for instance, by building web communication platforms. A major challenge for organizations is to prepare internally for virtual stakeholder dialogue, because changing internal structures may prove to be difficult.[22] Without suitable coordination mechanisms, engaging in virtual stakeholder dialogue is a superficial attempt to present a favorable appearance. Managerial practices that are only adopted for ceremonial reasons have low effectiveness.[23]

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Adopting virtual stakeholder dialogue without suitable coordination mechanisms has detrimental performance consequences. Further research should address the internal coordination aspects of virtual stakeholder dialogue to understand when such dialogue is likely to succeed. A first step in this research is to carefully document the consequences in cases where virtual stakeholder dialogue was not accompanied by matching coordinating mechanisms.

As this article is based on a review of extant literature and as virtual stakeholder dialogue is a nascent domain of study, the inventory of structures presented in this article is unlikely to be exhaustive. Organizations at the forefront of virtual stakeholder dialogue are likely to experiment with new structures in order to deal with the new challenges. Through such experimentation, these organizations will learn to share control with stakeholders in ways that are mutually beneficial.[24]

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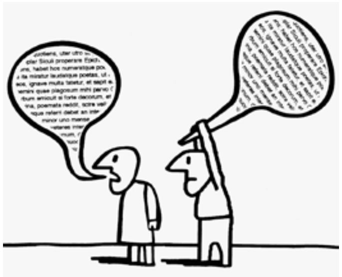

Dr. Conflict

by Mark Light, MBA, PhD

Many common workplace conflicts can be solved with some simple and clear communication, but we tend to overcomplicate our problems. Sometimes, a genuine apology in a difficult situation with a funder, or cutting through the hierarchy of an organization to the source of a problem, can be the best solution to a seemingly impossible dilemma.

Dear Dr. Conflict:

Our organization received a grant from a major local foundation to add a senior position to our staffing. We did a national search, had a thorough screening process, and hired a man who had to move to take the job. Unfortunately, the person ended up being a bad hire, and despite many efforts to make it work, we ended up letting him go. It was painful but absolutely necessary in ways that we could not discuss with others. We immediately notified the funder about the separation and were told that they understood.

Unbeknownst to us, however, the funder was secretly fuming, and began reaching out to our other funders to tell them that all confidence in our organization had been lost and the foundation would no longer fund us. This funder also took a group of funders to visit with a peer organization, and asked if they'd like to take over our organization; they declined.

This funder never shared any concerns with us directly. Not only did we lose this funder's money, but our relationships with a few other foundations have become strained, and one other foundation has completely stopped funding us.

We've moved on, and two years after all this happened, we're doing some great work in our community. However, we are finding that funders are still gossiping about our organization, thanks to this foundation executive. Recently, we learned that a longtime corporate funder almost declined our request for funding because another corporate funder who doesn't even fund our organization gossiped that we weren't doing well.

Our organization is in a city where people love to spread rumors. People are polite to your face but when you turn around they relish talking about you. What can we do to stop this gossip and move beyond it? We cannot afford to lose more support.

Trying to Move On

Dear Trying,

So you made a bad hire, and your funder was so unhappy about it that she or he stopped supporting you, convinced at least one other funder to do the same, tried to put you out of business, and continues to poison the well. And all this over a bad hire? Was the person an axe murderer or what?

Something about your story just doesn't add up. You write that "we immediately notified the funder . . . and were told that they understood." Told by whom, exactly, and did they tell *you*, specifically? And what's up with the "unbeknownst to us" and the "funder never shared any concerns with us"?

What kind of a topsy-turvy world are you living in? Since when do funders owe people like you and me anything, including sharing their concerns? Or bringing you into their confidence? They're the funders, after all. They are the intermediaries between you and the end client. They are to be nurtured and treasured.

Do you know the old saying that if you have to eat crow, it's best to eat it warm? Dr. Conflict guesses your answer is no, because the crow you now must eat is very, very cold. But eat it you must if you're to get in front of this mess. How? You must apologize to your funders for leaving them out of the loop. And you should consider doing the same for all those gossipers, who clearly are thirsty for your truth. Nothing disarms a gossiper more than knowing who you really are.

The good news is that a sincere apology might just turn things around for you. Says expert John Kador, "Today's most urgent leadership challenges demand the ability to apologize when you make a mistake. The capacity of leaders to apologize can determine their ability to create the kinds of high-trust organizations required to navigate challenging times."[1]

An effective apology "incorporates recognition of the offense, taking responsibility, expressing remorse, offering restitution, and signaling a commitment to not repeat the offensive behavior."[2] Thus, you must first recognize that leaving your funder out of the loop for two years was a mistake—a big one. Next, you take full responsibility for it and say that you feel awful about it, which you obviously do. Then, promise that you will be proactive in reaching out from now on and promise to never make this mistake again.

Once you are done with your apology, you can ask your funder about how you can do a better job in the future. And you may be pleasantly surprised that your funder will forgive you. You made a big mistake in hunkering down and avoiding the conflict with your funders, but here is a way out: "Just say you're sorry. An apology shows humility, models respect for others, and demonstrates a desire to learn, all of which are traits of strong leaders."[3]

This is not to say that you should get all weepy, become a stalker, or think that you and your funders are going to be BFFs. Stay cool and confident, and help your funders get to know the real, honest, trustworthy, responsibility-taking you. In other words, keep them in the loop but don't go overboard.

The wonderful thing about apologizing is that it can open a door for you to mend the relationship with your funder. Even better, word may get out to others about you—only this time, the word will likely be positive. Dr. Conflict knows this from his own experience with apologies—both warm and cold.

Dear Dr. Conflict,
I work in a very hierarchical organization. I am four levels below my vice president and rely on my chain of command to pass along information and updates on a project. To add some complexity to the situation, I am a frontline, middle-level fundraiser on a very high-profile project. (Normally it would be out of my hands and managed by others, but for a variety of reasons—mainly that I got the lead gift that launched the project—that hasn't happened.)

On a fairly consistent basis, my vice president says he doesn't "know what is going on" with my project; however, I dutifully provide reports, keep my central database updated, provide live Google documents that can be accessed at any time, et cetera. Because I am not at the next level in the chain of command, I don't attend meetings where information is shared and people relevant to the project are discussed.

If I go above my chain of command and share something, various people in that chain of command may feel I am going over their heads (and I have been criticized for this in the past). I feel like I am in a "damned if I do and damned if I don't" scenario. What is a peon like me to do?

Frustrated

Dear Frustrated,
Stop behaving like a peon—you're clearly not one—and start behaving like the star performer you are. You brought in the lead gift for the high-profile project, for goodness' sake. In the words of Marianne Williamson: "It is our light, not our darkness that most frightens us. We ask ourselves, Who am I to be brilliant, gorgeous, talented, fabulous? Actually, who are you *not* to be?"[4] Assume that you belong right where you are now.

Obviously, your issue is first with your vice president, who has told you he doesn't know what is going on. It would seem that he just isn't interested in all the things you dutifully provide. So why not simply ask him to describe the best course of action? Maybe he is technologically challenged; maybe he just wants to be in your shining presence more often. Who wouldn't, given the brightness of your gifts?

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Charitable Plutocracy: Bill Gates, Washington State, and the Nuisance of Democracy

by Joanne Barkan

As seen in the case of megadonors such as Bill Gates helping to institute problematic charter schools in Washington State, the top-down approach to public policy reform raises several questions about the politicization of philanthropy, or charitable plutocracy, by the country's multibillionaires. Perhaps worse—given the work they're funding—they often do not receive the same level of public scrutiny as others. What's the best means of addressing the problem of charitable plutocracy? Massive overhaul of campaign finance practices, as well as reforming private foundations for better regulation and scrutiny.

Once upon a time, the super-wealthy endowed their tax-exempt charitable foundations and then turned them over to boards of trustees to run. The trustees would spend the earnings of the endowment to pursue a typically grand but wide-open mission written into the foundation's charter—like The Rockefeller Foundation's 1913 mission "to promote the well-being of mankind throughout the world." Today's multibillionaires are a different species of philanthropist; they keep tight control over their foundations while also operating as major political funders—think Michael Bloomberg, Bill Gates, or Walmart heiress Alice Walton. They aim to do good in the world, but each defines "good" idiosyncratically in terms of specific public policies and political goals. They translate their wealth, the work of their foundations, and their celebrity as doers-of-good into influence in the public sphere—much more influence than most citizens have.

Call it charitable plutocracy—a peculiarly American phenomenon, increasingly problematic and in need of greater scrutiny. Like all forms of plutocracy, this one conflicts with democracy, and exactly how these philanthropists coordinate tax-exempt grantmaking with political funding for maximum effect remains largely obscure. What follows is a case study of the way charitable plutocracy operates on the ground. It's a textbook example of the tug-of-war between government by the people and uber-philanthropists as social engineers.

The Case of Bill Gates and Washington State

This story begins in 1995, when the Washington State House of Representatives first considered legislation that would enable private individuals and organizations to obtain charters to create their own K–12 schools. These were to be taxpayer-funded schools, but privately run and exempt from many of the regulations governing district (regular) public schools. The funding would come from the resources of regular public schools: each student would "carry" his or her per-child funding out of the district system to a charter school.

The bill died in the state senate, so supporters went directly to voters with a ballot initiative to enable charter schools. The campaign attracted little money on either side, but turnout was high because the vote took place on the same day as the 1996 presidential election. Washingtonians rejected charter schools decisively: 64.4 percent against, 35.6 percent in favor.[1]

State representatives kept trying. They proposed new bills in 1997, 1998, and 1999, but got the same results: success in the lower chamber, failure in the senate.[2]

Wariness of charter schools didn't mean that Washingtonians were completely satisfied with existing schools or feared change. Voters had legitimate concerns. Charter schools, they worried, would divert tax revenue from already underfunded district schools, especially those serving low-income and minority students. In addition, schools under private management might be less transparent and less accountable to the public than Washington's district schools, which were overseen by locally elected boards.

Charter supporters tried another ballot initiative in 2000, and, for the first time, attracted the backing of a multibillionaire philanthropist. Paul Allen had cofounded Microsoft in 1975 and The Paul G. Allen Family Foundation in 1988.[3] The state places no limits on individual campaign contributions for ballot measures, so Allen was able to give $3.275 million of the total $3.4 million raised by the pro-charter side. Opponents raised only about $11,000. Outspent 309 to 1, they still defeated the initiative, although the millions given in support of charters shrank the margin of victory. The vote was 51.8 percent against charters and 48.2 percent in favor.[4]

In the next four years, the national context shifted. The debate around public education intensified as a controversial market-based education-reform movement grew stronger. "Ed-reformers" claimed that U.S. public schools were failing; that the culprits were bad teachers, teachers unions, and government bureaucracy; and that the private sector, using public resources, could run better schools. They promoted competition among schools to force out the weakest and measuring educational success via students' standardized test scores.

The education-reform movement in general, and charter schools in particular, attracted a new wave of philanthropists, many of whom had made fortunes in high-tech industries and finance. Although they had no experience as educators, they aimed to "disrupt" and rebuild public schooling for urban low-income and minority children. They embraced the idea that giving grants to K–12 reform projects corresponded with investing capital in a business. They described their philanthropy in terms of strategic investments to maximize returns and data collection to verify results. Having succeeded in business, they reasoned, they would succeed in education. They came to see funding education-reform candidates and ballot initiatives as part of the same effort.

The Washington legislature finally passed a charter school law in 2004. Opponents responded by petitioning for a ballot measure to repeal the law. Mobilized by the teachers unions, League of Women Voters, state Democratic Party, and the Seattle School Board, they raised $1.3 million for the campaign. The unions contributed the most: the Washington Education Association gave $601,000, and the National Education Association gave $500,000.[5]

Charter school supporters raised three times as much—$3.9 million. Most of it came from three education-reform political funder-philanthropists, who donated about $1 million each: Bill Gates, who had recently made education reform the main focus of his domestic philanthropy; Walmart heir John T. Walton (from Wyoming), who advocated charters and tax-funded vouchers for parents to use for private-school tuition; and Donald Fisher (from California), founder of Gap and a major donor to the KIPP chain of charter schools.[6]

When philanthropists finance political campaigns, they act as individual citizens spending their personal wealth, not as the heads of tax-exempt, charitable foundations. Federal and state laws bar private foundations from political activity. Although the regulations have ambiguities and loopholes, high-profile philanthropists are usually careful about keeping foundation and personal monies separate and using only the latter to fund political campaigns.

Although outspent three to one, charter school opponents in Washington won an impressive victory in 2004. The law was repealed by a vote of 58.3 percent to 41.7 percent.[7]

This big-money face-off—multibillionaire philanthropists against teachers unions—turned out to be a prototype repeated across the country in scores of education-reform campaigns in the last decade. Millions of dollars regularly pour into races for local and state school boards and for district and state school superintendents, as well as for education ballot initiatives. The money comes from both in state and out of state. Twenty years ago, these contests cost little to run; the stakes were limited. Now, the money is huge, and the ramifications are national: the nature and control of public education is being decided.

Education-reform philanthropists justify their massive political spending as a necessary counterweight to the teachers unions;[8] yet, the philanthropists can, and consistently do, far outspend the unions. In 2004, Paul Allen had a net worth of $21 billion, Bill Gates had a net worth of $46.6 billion, and John T. Walton (who died in 2005) had a net worth of $20 billion.[9] Donald Fisher's net worth was $1.3 billion in 2005.[10] In 2015, Allen had a net worth of $17.8 billion, Gates had a net worth of $76 billion, and Doris Fisher (Donald Fisher's widow and a charter school donor) had a net worth of $2.9 billion.[11] And the unions? According to the 2015 reports filed with the Office of Labor-Management Standards, the National Education Association had $388.8 *million* in total receipts; the American Federation of Teachers had $327.6 *million* in total receipts.[12] As political rivals, the education-reform philanthropists and the teachers unions have never competed on a level playing field.

In January 2012, charter school supporters in the Washington State legislature introduced another bill. By then, the state was one of only nine that didn't permit charter schools. Some states had bowed to pressure from the Obama administration's Race to the Top program (2009–2011): by committing to a list of specific reforms, including charter schools, they had a chance to win additional federal funds. Despite resistance to the reforms, resource-starved states were willing to sign on to almost anything to get more funding.

More than five thousand charter schools were operating in the United States in 2012, and researchers were finding some serious problems. Charter schools were diverting funds from district schools while also enrolling a smaller proportion of the most at-risk children (for example, children with disabilities and English-language learners). These children remained at or returned to district schools just as the districts were losing resources. In addition, the quality of charter schools was extremely uneven, according to the education reformers' own criterion: student scores on standardized tests. A large-scale study, published in 2013 by the pro-education-reform Center for Research on Education Outcomes at Stanford University, concluded that about 27 percent of charters performed better than district schools serving equivalent student populations; about 25 percent performed worse; the rest were about the same.[13]

Despite the problems with charter schools, education-reform philanthropists had no second thoughts about their drive to replace as many district schools as possible. They had various motivations: the conviction that market competition among schools could not fail to improve the quality of public education; the desire to get government out of the business of running schools (although taxpayers would still fund them); and determination to weaken the teachers unions (only about 7 percent of charter schools are unionized).[14] Charter advocates also argued that low-income parents should have a choice of schools for their children just as wealthier parents did—no matter that most charters were no better than district schools and some were worse, and that charters were weakening district schools and that high-performing charters accommodated few students.

Meanwhile, the leadership of both houses of the Washington legislature opposed the 2012 charter bill.[15] When it died in committee, the activist billionaires stepped in, with Gates in the lead: they would finance yet another charter school ballot initiative—the state's fourth.

In the first phase of Washington's initiative process, citizen sponsors draft their legislation, and the Office of the Code Reviser certifies the text. Thus, citizens, not legislators, write the proposed law. In phase two, supporters collect a sufficient number of valid signatures to place the measure on the ballot in the next state general election. Phase three is the campaign and vote.[16]

Once the thirty-nine-page charter school measure was certified, the state's Attorney General's office issued an official title, subject, and "concise description" to be printed on the ballot. Here they are:

> Initiative Measure No. 1240 concerns creation of a public charter school system. This measure would authorize up to forty publicly-funded charter schools open to all students, operated through approved, nonreligious, nonprofit organizations, with government oversight; and modify certain laws applicable to them as public schools.
>
> Should this measure be enacted into law? Yes [ ] No [ ] [17]

The coalition of advocates behind the 2012 initiative included some well-known grantees of the Bill & Melinda Gates Foundation: for example, Stand for Children (about $9 million in grants from 2005 through 2012)[18] and the League of Education Voters, a subgrantee of the Alliance for Education ($733,285 in grants for 2011 and 2012).[19]

To collect the signatures, the coalition hired PCI Consultants, Inc., of Calabasas, California, a "full service petition and field management firm" with experience in Washington State.[20] The drive began in mid-June, which left just twenty-one days to collect 241,153 valid signatures—the shortest drive in state history (except for one in 1973).[21] Success depended on quick access to millions of dollars for an all-out effort.

The drive raised $2.3 million and delivered about 350,000 signatures by the July 6 deadline.[22] One signature gatherer from California told the *Seattle Times* that he was among about four hundred out-of-staters who had been hired. Coalition spokespeople declined to confirm or deny the information.[23]

According to the Public Disclosure Commission in Washington State, funders for the signature drive included Gates ($1 million), Alice Walton (from Arkansas, $600,000), Mike and Jackie Bezos (parents of Amazon.com founder Jeff Bezos, $500,000), venture capitalist Nicolas Hanauer ($450,000), Katherine Binder (chair of EMFCO Holdings, $200,000), Paul Allen's Vulcan, Inc. ($100,000), and Reed Hastings, from

California (Netflix cofounder and KIPP charter schools board member, $100,000).[24]

As soon as Initiative 1240 was certified for the November vote, the race to stockpile more money began.

The pro-charter side collected another $9.1 million for the fall campaign. More than 70 percent of the additional money came from just six donors: Gates ($2.075 million), Vulcan, Inc. ($1.5 million), Alice Walton ($1.1 million), Mike and Jackie Bezos ($600,000), Hanauer ($600,000), and Connie Ballmer (wife of former Microsoft CEO Steve Ballmer, $500,000).[25]

Opposition to the charter initiative was broad but not deep-pocketed. The organizations calling for a "no" vote included the Seattle King County NAACP, El Centro de la Raza, the Japanese American Citizens League Board, the League of Women Voters, the Washington State PTA, local elected school boards, the Association of Washington School Principals, the Washington Association of School Administrators, many district and county Democratic Party organizations, the Washington State Labor Council, the Washington Education Association, and other state and local unions.[26]

The "no" coalition raised just over $727,400.[27] The largest donations came from the National Education Association ($250,000) and the Washington Education Association ($200,000).[28] According to KUOW Puget Sound Public Radio's blog, "Teachers' union officials say . . . when it comes to the big money behind the charter school initiative, they just can't compete."[29]

No one disputes that big money sways voting outcomes or that superwealthy philanthropists regularly spend millions to get the outcomes they want. The vote on Washington's Initiative 1240 stands out for this reason: despite outspending their opponents more than 12 to 1, the philanthropists barely eked out a victory. The final tally was 50.69 percent in favor, 49.31 percent opposed.[30] Citizens might well have asked whether the advent of charter schools in their state expressed the will of the people.

Once the initiative was law, the backing for charter schools switched from political contributions to tax-exempt philanthropy. The Bill & Melinda Gates Foundation went into high gear for the next phase of the project. The foundation disbursed more than $31 million in less than three years "to give public charter schools in Washington State a strong start."[31] In practice, this meant selecting and financing individuals and organizations to start schools, advise charter boards, and develop education programs.

The Gates Foundation spent more than $13.5 million to set up and run the Washington State Charter Schools Association—a private group whose work includes awarding "fellowships" to educators who want to open schools. Green Dot Public Schools, a charter management organization founded in Los Angeles, received $8 million in 2013 to expand into Washington. Green Dot has received about $24 million from Gates since 2006. Another charter management organization, the Bay Area's Summit Public Schools, also received $8 million in 2013 to branch into Washington. Charter Board Partners, a D.C.-based nonprofit consultancy for charter school governance, received more than $1.2 million to open a Washington office. The Gates Foundation gave California's Seneca Family of Agencies almost $1 million to develop support for at-risk students in Washington's charter schools.[32]

Thus, the schools were to be public in name and receive public funding for each student, but the Gates Foundation, with no public oversight, stepped in to shape the charter system.

Washington's first charter school opened in 2014 and was on probation for compliance problems in the summer of 2015, when eight more charters were about to launch.[33] But on September 4, 2015, the Washington Supreme Court halted the entire charter program by declaring the 2012 law unconstitutional. This was the first time any court had struck down a charter school law in its entirety.

The reasoning in the 6-3 decision is straightforward: The state constitution stipulates that only common (public) schools can receive government funding, and all common schools in the state must be subject to local voter control. Because charter schools are run by appointed boards or private organizations, they are not common schools and do not qualify for government funding.[34]

Charter school supporters blamed the ruling on the bias of liberal activist justices, but as Michael J. Fox, a retired superior court judge, wrote in a letter to the *Seattle Times*, "I voted for the charter schools initiative. . . . But I've read the court's decision thoroughly and am convinced it is well-grounded and based on the pertinent constitutional provisions. Any other decision could only have been based on political ideology and not our supreme law."[35]

Charter activists—some with Gates money—filed motions asking the court to reconsider its decision, but the court refused. Undeterred, three Gates grantees—the Washington State Charter Schools Association, Stand for Children, and League of Education Voters—partnered to create a PAC to channel money to legislators willing to vote for a modified charter law. When the PAC was announced, in December 2015, checks had already gone out to twenty-four lawmakers.[36] On March 10, 2016, the legislature passed a new bill that would fund charter schools with state lottery revenue. Supporters believe this will pass constitutional muster because lottery proceeds go into an account that is separate from the state's general fund and the lottery account is not restricted to common schools. Opponents argue that the bill does nothing more than shift money from one account to another.[37] Democratic Governor Jay Inslee, who is running for reelection against a pro-charter Republican, allowed the bill to become law without his signature, at the end of a special legislative session on April 2. A union coalition plans to sue the state over the law. Meanwhile, the state remains under a contempt order from the Washington Supreme Court, which ruled in 2012 that the state isn't meeting its constitutional duty to fully fund basic education. There's no end in sight.

The Nuisance of Democracy

The Washington charter saga highlights the workings of charitable plutocracy. Multibillionaire philanthropists use their personal wealth, their tax-exempt private foundations, and their high-profile identities as philanthropists to mold public policy to a degree not possible for other citizens. They exert this excessive influence without public input or accountability. As for the charitable donors who are trying to reshape public education according to their favorite theories or ideological preferences, they are intervening with too heavy a hand in a critical institution that belongs to the public and requires democratic control. But in any public domain, the philanthropist's will and democratic control are often at odds.

Voters, their elected representatives, grass-roots activists, civic groups, unions, public opinion—all can thwart an uber-philanthropist's effort to impose his or her vision of the common good on everyone else. Democracy can be a nuisance for the multibillionaire—a fact of life that Bill Gates has often lamented.

In a CNBC panel, aired on May 4, 2015, and titled "If I were education czar . . .," Bill Gates discussed the problems he's had in spreading the "best practices" of charter schools throughout the United States: "It's not easy. School boards have a lot of power, so they have to be convinced. Unions have a lot of power, so teachers need to see the models that are working." Asked about his broader goal to redo all of public education, Gates said, "We're not making as much progress as I'd like. In fact, of all the foundation areas we work in, I'd say this has proven to be *the* most difficult." The interviewer followed up: "Why do you think that is?" Gates replied, "It's a very big system . . . very resistant to change. The best results have come in cities where the mayor is in charge of the school system. So you have one executive, and the school board isn't as powerful."[38]

Gates has been making this point for years. During a CNN appearance in 2009, according to the *New York Post*, Gates said, "The cities where our foundation has put the most money is [*sic*] where there is a single person responsible."[39]

During the Gates Foundation's U.S. Education Learning Forum in October 2015, journalist Gwen Ifill asked Bill and Melinda Gates to name "the least pleasant surprise" during their previous fifteen years of education-reform work. Bill answered, "For me the most disappointing is that the work can go backwards. In the other areas we work, if we come up with a new malaria drug or a new malaria vaccine, nobody votes to uninvent our malaria vaccine."[40] This was an effective laugh line for Gates, but it's also a telling formulation; no one has ever voted to "uninvent" a Gates offering. But, on occasion, voters or their representatives have rejected a Gates *plan*. That's ordinary democratic policy-making, not uninventing one of his creations.

At times, democracy seems to flummox Gates. In the same interview, he reflected on why there's been strong opposition to the Common Core State Standards—a detailed set of K–12 benchmarks in math and language arts that the Gates Foundation developed and marketed around the country at a cost of about $263 million.[41] "It's not like somebody's got some great alternative in terms of the benefits to students," he said. "It's more about 'Oh, we'll show our autonomy' than it is about having something better for learning."

Gates, who has no training as an educator or researcher, easily dismisses the work of professionals in the field, but it's never been clear how well, or even if, he knows their work. He appears continually in the media promoting his chosen policies, but he doesn't engage in depth—at least not publicly—with experienced educators or scholars who disagree with him. His entrée into policy-making is money, not expertise. Talking to Ifill, he brushes off opponents as obstructionists who merely want to flaunt their autonomy—as if disagreeing with him were an exercise in peskiness rather than part of a necessary substantive debate. As for entering the fray as a candidate and asking voters to endorse his ideas, Gates wants no part of it. Questioned at the 2012 Abu Dhabi Media Summit about running for president, he said his current job with the Bill & Melinda Gates Foundation was "a very nice office" and that it didn't require him to raise funds to "try to get elected," nor does it "have term limits of eight years . . . I actually think, maybe I'm wrong, that I can have as much impact in that [philanthropic] role as I could in any political role. In any case, I would never run for political office."[42]

Multibillionaires who play the dual role of philanthropist and political bankroller range ideologically from progressive to far right, and they spend on myriad causes in addition to public education. At the progressive end are George Soros and his Open Society Foundations. On the far right are the Koch brothers and their David H. Koch Charitable Foundation and Charles Koch Foundation. In addition to Gates, the most aggressive philanthropies in market-based education reform are the Walton Family Foundation and the Eli and Edythe Broad Foundation. (Walton supports publicly funded vouchers for private school tuition but otherwise the major education-reform financiers back similar policies.)

Regardless of political stands or projects, all philanthro-barons with their own foundations are generously subsidized by taxpayers. When a baron says, "It's my money to use as I please," he or she is wrong. A substantial portion of every tax-exempt foundation's wealth—39.6 percent at the top tax bracket for filing in 2016—is diverted each year from the public treasury, where voters would have determined its use.[43] Taxpayers subsidize not only the philanthropy of the Koch brothers, Soros, and the others but also their political work. Part of the megaphilanthropist's wealth goes into a personal cache; part goes into a tax-exempt cache. The money saved by not paying taxes goes wherever the philanthropist wants, including to political work.

American democracy is growing ever more plutocratic—a fact that should worry all admirers of government by the people. Big money rules, but multibillionaires acting as philanthropists aggravate the problem by channeling vast sums into the nation's immense nonprofit sector. Their top-down modus operandi makes this a powerful tool for shaping public policy according to individual beliefs and whims. And they receive less critical scrutiny than other actors in public life. Most people admire expressions of generosity and selflessness and are loath to find fault. In addition, anyone hoping for a grant—which increasingly includes for-profit as well as nonprofit media—treats donors like unassailable royalty. The emperor is always fully clothed.

So, what to do? The measures required to rein in plutocracy in the United States are plain to see and difficult to achieve: radical campaign finance reform to end the corruption of politics by money, and steeply progressive taxation without loopholes to reduce inequality in wealth and power. Private foundations, too, are due for reform. Congress hasn't overhauled their regulation since 1969, and watchdog agencies are woefully underfunded. But few, if any, megaphilanthropists give these reforms top priority, although many talk endlessly about reducing inequality and providing everyone with a chance at a good life. The interests and egos of philanthro-barons rarely incline toward curbing plutocracy.

Questioning the work of megaphilanthropists is a tricky business. Many readers of this article will be fuming in this way: Would you rather let children remain illiterate, or allow generous people to use their wealth to give them schools? Would you rather send more money to our bumbling government, or let visionary philanthropists solve society's problems? Here is a counterquestion: Would you rather have self-appointed social engineers—whose sole qualification is vast wealth—shape public policy according to their personal views, or try to repair American democracy?

Notes

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Fiscal Year [2015] > click on “submit” > find TEACHERS AFL-CIO NATIONAL HEADQUARTERS and Total Receipts [three columns to the right]. For the NEA, fill in NEA-NATIONAL EDUCATION ASN IND [drop-down menu] and 2015 > submit > find NATIONAL EDUCATION ASN IND NATIONAL HEADQUARTERS and Total Receipts.)

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Social Media Effectiveness for Public Engagement: An Example of Small Nonprofits

by Youyang Hou and Cliff Lampe

In order for small organizations to fully take advantage of the benefits of social media as a successful method of public engagement, they must think in nuances directly related to their circumstances. This study provides some rich examples.

Editors' note: *This article was excerpted from a research paper looking at the constraints and foci of social media practice in twenty-six small environmental organizations. We thought that the discussion of the kinds of conversations the nonprofits had with the various stakeholders on multiple social media platforms was thoughtful and informative with respect to how the new communications environment is evolving. The paper was originally published by ACM, in May 2015. It has been abridged and adapted with permission.*

When small activist nonprofits work with social media, they are faced with any number of considerations, including the ways that various constituencies wish to communicate; what those communications might produce in terms of engagement, social action, or donations; how widely used and well suited various platforms of social media are for the task at hand; and how well staff and volunteers understand each medium. On top of that, the basic control mechanisms of the organization may present barriers: Are staff and volunteers trusted as spokespeople as long as their work conforms to a central design or are the number of spokespeople and the message more tightly controlled? The good news is that some small nonprofits are unflaggingly inventive and agile. This article, excerpted from a larger study, describes how twenty-six small environmental groups approached their social media work in the midst of such complexity.

The nonprofits we studied work with a diverse group of stakeholders via social media sites, had at the time an average of fifteen staff members, and fall into three general categories: affiliate and university (six of the nonprofits), network and policy (eleven of the nonprofits), and community (twelve of the nonprofits). Affiliate and university organizations are programs associated with larger governmental agencies or universities. Network and policy organizations primarily advocate for policy change surrounding environmental issues on a statewide or regional level. Community organizations are often dedicated to their local waterway(s) and organize at a community level.

The interaction with different stakeholders segmented based on the characteristics of social media and the popularity of social media among the various stakeholder groups, which include the following:

Nonprofit members. Nonprofit members are local citizens who show an interest in the organization's cause and sign up for membership, which usually includes sharing their contact information with the nonprofit. Membership size among the organizations we examined ranged from four hundred and fifty to seventeen thousand, and members were the most reliable sources of financial support and event participation. As a consequence, one of the most vital motivations for using social media was to expand membership. For daily communication, however, the nonprofits mainly used e-mail and newsletters to communicate directly with members.

Volunteers. Social media sites enabled the nonprofits to post information about volunteer recruitment and give recognition and thanks to volunteers who helped with previous events or activities. In addition, the organizations frequently posted photos of volunteer activities on Flickr, Instagram, and in Facebook albums, and shared these images via social networking sites like Facebook and Twitter.

Funders. The nonprofits used social networking sites to engage with funders by posting donation information and giving recognition and thanks to donors. Nevertheless, as financial donors are usually older adults who are relatively less active on social media sites, the organizations felt that the most effective way to contact and engage with funders was still via traditional communication channels such as e-mail lists and face-to-face meetings.

Other organizations. A third of the nonprofits frequently used social media to strengthen existing partnerships with other organizations by cross-promoting one another on social media—for example, liking each other's content, reposting each other's posts, promoting each other's events, sharing news and tools from each other's sites, and recognizing and praising each other's work. The nonprofits saw this as a way to "scratch each other's backs," support and build relationships with other organizations, get updated about each other's work progress, and, especially, "double the poll of viewers" and expand the follower influence on social media sites. These nonprofits appeared to be primarily connected to other organizations, and didn't reach out much to the general public.

Reporters. Building a positive relationship with reporters and media has long been an important outreach and communication goal for nonprofits, as reporters can help to attract press attention and disseminate information. Twitter was perceived as the primary platform for media reporters to reach out to nonprofits. Reporters frequently use Twitter features such as retweet, favorite, and @ to interact with nonprofits, pick up their tweets as news sources, or ask questions on Twitter, which greatly increased the nonprofits' online influence. In addition, the nonprofits' social media point persons proactively interacted with reporters in order to strengthen the relationship. As one interviewee explained, one might use the nonprofit's social media to "post [reporters'] work, credit their work, and try to generate discussions with the individual reporters."

Diverse Stakeholders and Engagement Goals: Information, Community, and Action

The work of these small nonprofits over multiple social media sites to engage with a variety of stakeholders fell into three engagement goals:

- Disseminate information about their causes and the organization;
- Build community and engage with different stakeholders; and
- Mobilize actions like donation and volunteer work.

Disseminating Information

The nonprofits shared a huge amount of information regarding environmental issues and organizational updates via a variety of social media sites, in order to increase awareness of their organization and its mission. A content analysis (see Table 1, below) of nonprofits' Facebook and Twitter pages illustrates that about half of their social media posts were related to an information goal: news and updates of their website and organization; educational resources and environmental tools; and multimedia content such as photos or videos.

The nonprofits commonly used multiple social media sites together to support

Table 1. Content Analysis of Nonprofits' Facebook and Twitter

Engagement goals	Code type	Facebook (25 nonprofits)	Twitter (23 nonprofits)
Information	News and updates	218 (29.0%)	171 (24.8%)
	Education, tools	113 (15.1%)	84 (12.2%)
	Media	47 (6.2%)	29 (4.2%)
Community	Other organization	29 (3.8%)	73 (10.6%)
	Conversation	24 (3.2%)	54 (7.8%)
	Giving recognition and thanks	44 (5.8%)	59 (8.6%)
	Live posting	37 (4.9%)	46 (6.7%)
Action	Event	162 (21.6%)	74 (10.7%)
	Call for action	78 (10.4%)	100 (14.5%)

the information engagement goal. They frequently shared updates from their websites and blogs, tutorials or educational videos from YouTube, and photos from Flickr or Instagram. They also used blogs to aggregate information from the social networking sites and provide longer-form content on interesting topics:

> The features that primarily go into the blog site actually originate on the day-to-day news items that I tweet out. And then I compile those in the weekly blog summary under various headings, such as agriculture or water quality or biodiversity. So it's an aggregate. If there are what I see as more significant issues, then I'll do a separate article about those significant breaking issues and then sometimes summarize those in a paragraph or two within the weekly issue.[1]

Multimedia content was also a popular strategy among the nonprofits. Most participants told us that the most effective strategy for soliciting shares and comments was to post appealing photographs, usually containing cute animals or beautiful nature scenes. The nonprofits frequently posted such media content on Flickr, Pinterest, and/or Instagram, and shared through social networking sites. Participants felt that the practice helped to provide "a better entry point" for the public to learn more about nonprofits.

Building Community

While the purpose of the first engagement goal is to disseminate information, another set of social media practices involves building stronger ties with existing stakeholders and local communities. Table 1 describes the types of community posts tied to this goal: interaction with other organizations, conversations with the public, giving recognition and thanks, and live posting about volunteer events. The nonprofits proactively posted questions and discussion topics to prompt interaction and conversations with their audience. One participant described her organization's experience of posting questions online, like this:

> We ask a question, and when they respond, we can become close to them through being actively engaged with what they're saying. You have to build up to a point where people feel almost safe, and that it's going to be all right if they're wrong.

Many of the nonprofits found that hashtags on Twitter were particularly helpful for initiating such discussion, as the hashtag format "speaks in ways a sentence can't." Nevertheless, many also said that despite using these strategies in their social media, their followers were still not actively participating in the conversations.

Lastly, the nonprofits frequently posted photos related to their work and such occasions as conferences or volunteer events to demonstrate their endeavors and accomplishments. In some cases, they made use of the real-time, live properties of Twitter and Facebook by providing live postings of events, as the following description of using social media during a court hearing demonstrates:

> There were very few people who could take time off during the day to sit and listen to this court hearing, even though everybody was extremely interested in the outcome of this debate and what the judge was going to say. So I was able to live-tweet that court hearing. The Twitter stream that I was posting got a gigantic spike of followers, and people were really tuning in.

Mobilizing Actions

For most nonprofits, the ultimate goal of social media use was to mobilize an audience by providing enough information and building a sufficient sense of community to spur people into potential actions, such as becoming a volunteer member, donating money, or signing a petition:

> The bigger question becomes, are they going to sign the letter to Congress or are they going to sign the letter to the Wisconsin legislature when there's an issue going on that they can take action on? Or are they more of just a casual supporter? And that's something we're trying to get a handle on.

In our content analysis, we also found that the nonprofits frequently posted about actionable items: event information, fundraising, advocacy, social media campaigns, or direct calls for action (see Table 1). But while the nonprofits tried to mobilize actions through social media sites, they typically became disappointed with the inability of such sites to transform online engagement into real action, whether in the form of attending an event or providing financial support—particularly when the nonprofit had directly asked for such actions. They noted that "liking a Facebook page is not an engagement," and felt it did not lead to action outside the site. They thought the problem was that the social media audience was not "tuned to hear the message" and seemed to lack the motivation to take real actions:

> We invited people to participate on social media. They loved the pictures and the quotes that people were sending in about the river. But we didn't get a single person to print out the form and put a check with it and send it to us from any of the platforms we used electronically.

Instead of social media sites, many of the nonprofits mentioned that traditional communication tools like e-mail lists or even face-to-face interactions were still more effective in mobilizing people—especially previous volunteers and donors—into actions like fundraising and signing a petition. They reported usually getting pretty good results with such traditional calls. A participant described one example when his organization asked people for an advocacy action:

> More recently, we did ask people to call their local congressmen about the Water Resources Development Act. I was sort of surprised [by] the e-mails I got. People were forwarding to me the responses they got from the congressmen when they did call.

Evaluating Social Media Effectiveness: A Mismatch with Real Engagement

One challenge for small nonprofits appears to be defining and measuring the success of social media sites in terms of public engagement. The nonprofits paid close attention to basic metrics of their social media sites like numbers of followers, shares and likes, and growth trends. These metrics reflected the size of audiences and how much interaction occurred on their social media sites, and thus spoke to the information and community goals of public engagement:

> I think people like some of the news stories that we post, and if we post something fun like, "We just got a million-dollar grant from the EPA," a lot of people tend to like those things. Sort of a "Yay. Congratulations." The Like button's like a virtual high five.

Many participants also noted that they had been using social media analytical tools like Facebook Insights, Klout, and Urchin to further track the demographics and behaviors of visitors to social media sites. However, they generally did not have formalized routines or strategies for using these tools, and only looked at anecdotal information rather than tracking numbers systematically. Participants repeatedly told us that although such analytical tools provide numerous metrics, they were too complicated to interpret:

> Facebook is crazy. They measure every little click that anybody does. But it's hard for me to capture that information and present it to our board members to explain whether the performance of our social media is improving or needs boosting.

Furthermore, participants noted that the analytical tools gave them little information about their performance in terms of achieving the action goal. They had no idea whether social media visitors were being effectively transformed into highly engaged members or donors. Even if they were succeeding in this goal, there was no way for them to compare the list of social media visits with their lists of volunteers, members, or donors. Without having clear methods in place to match these sets of information, they felt it was extremely difficult to further engage with their audiences. For instance, a participant noted that it was hard for her organization to compare its Facebook audience with its existing membership list, and that the data from Facebook itself was not particularly useful:

> For this post, the people that like the thing—twenty people out of the three hundred and twenty-nine likers we have here—I don't know who they are. They don't show up on e-mail lists. I know that they're mostly local, which is good, because that means that they saw us somewhere, or picked up one of our bookmarks somewhere, and liked the page. But we need to figure out how to connect these people to our organization. They're disconnected from other parts of communication that you have.

The Organizational Context of Small Nonprofits' Social Media Use

We have observed that small nonprofits seek to achieve a complex assemblage of public engagement goals with different stakeholders. However, distributed coordination with multiple sites and a diverse and fluid workforce; time, funding, and expertise constraints; and organizational policy all factored into decisions about which social media to use and how social media sites were used by these small nonprofits for public engagement.

"All Hands on Deck" for Social Media Management

In the small environmental nonprofits, there was usually a shortage of labor for social media management. Participants noted that they commonly "wear a lot of hats" and were responsible for a variety of communication and public relations tasks. Social media management work, though important, was only one small component on the long list of such tasks. As a result, most of the nonprofits did not have one person wholly dedicated to social media management but instead distributed the responsibility across a group of staff members.

This "all-hands-on-deck" approach to social media management followed several different patterns. The first mode was that each staff member would manage one official social media page with which he or she was familiar. The challenge, as a result, was to coordinate among different social media pages.

In the second mode, multiple staff members had administrative access to the official social media page(s), and anyone could edit and maintain the sites' content. When multiple people were working collaboratively on these sites, the challenge became how to coordinate among people and conduct quality control. Nevertheless, most organizations did not have a rigorous policy about coordination and quality control; instead, staff members just had to trust that each person would behave responsibly when posting something:

> We don't have a process of running something by the whole team, because that's too slow. We just have to trust each other's judgment, and each of us does it. If there's something that I do have a question about, it's easy for me to run it by somebody if I want, but it's not required.

In the third mode, the nonprofits encouraged certain staff members (such as outreach specialists) to create a personal account separate from the official account—usually on Twitter—to post about their work, expertise, and experiences related to the organization's causes. The official account and the specialist accounts frequently reposted each other's content and attracted their own audience, which expanded the overall organization's influence "like a big web." This strategy was also perceived as an effective way to make the organization feel more real and accessible:

> So it does allow you to peek behind the curtain of our organization, kind of humanize people. But not in a frivolous way, and then I think that builds the interest that we naturally have. We're just naturally curious about other people.

In addition to the full-time staff, the nonprofits often relied on their temporary workforce (such as interns or volunteers) to manage their social media sites. These short-term workers were temporary, their schedules frequently changed, and their work discontinued after they left the job. For instance, a participant told us that her organization's use of Twitter was based entirely on one worker's expertise: "We used Twitter for the nine months that we had the social networking intern last year. And then when she left, we didn't use Twitter."

Constraints on Time, Funding, and Expertise

The work of social media management is characterized by pragmatic constraints in terms of time and human and financial resources. Time constraints were the primary concern of most of the nonprofits. Even though social media were initially perceived as an easy, low-cost way to communicate, most of the nonprofits still felt that social media sites were very time consuming and that they lacked the time to make use of them fully. Consequently, nonprofit point persons normally focused on only one or two social media channels, even when they saw other new or alternative social media sites as potentially useful:

> As a smaller organization, a Twitter account and a Facebook page are pretty much all we can handle at this moment. I think as far as social media go, we have to devote our time to quality over quantity when it comes to that.

Social media management was also limited by financial resources in small organizations. Nonprofits cannot usually afford to hire dedicated staff to manage social media channels, nor can they often hire social media or marketing firms to help with social media management techniques. Many participants also complained about Facebook's new News Feed algorithm, which charges nonprofits to promote their posts in users' News Feeds. Because the nonprofits did not have the budget for social media advertising, this dramatically limited the organic reach of their Facebook pages:

> Facebook also has its sharing algorithm, which is very different than it used to be a few years ago. And I think that it limits how many of your supporters see your post. Their promotion scheme, where they're trying to charge for increased visibility of your post, I think is absolutely killing the platform for nonprofits. I just really think that Facebook should have an exemption for 501(c)(3)-recognized nonprofits, that our pages shouldn't have to be subjected to promotion functions. We should be able to have our supporters see all of our posts at all times for free.

Finally, the nonprofits' social media channels were constrained by their internal lack of expertise in differentiating their use of different social media sites. Several participants noted that they posted the exact same content on Facebook and Twitter, and used automatic synchronizing tools to link different sites, despite the significant differences between the two sites in terms of audiences and features. Other participants, however, pointed out problems in using such auto-link strategies across different sites:

> The one thing that we never ever do for any reason, ever, upon penalty of me being very angry, is

> you never, ever, ever post on Facebook what's on Twitter. Facebook and Twitter are not synonymous. The platforms don't work together, so stop trying to make them work together.

The Politics of Social Media Management

The nonprofits we studied had their own organizational policies or guidelines that regulated their social media use regarding the approval of content, ownership of social media sites, and interaction with social media followers. However, these organizational norms and routines did not always work collaboratively with their social media practice and public engagement goals.

For many, the decision to adopt social media required approval or was decided by higher-level organizations or managers. One participant who worked for a local branch of a national nonprofit explained that the former was strictly constrained by the latter's rules regarding which sites could be used by each level:

> Twitter goes to our Ohio account. Facebook, we're not able to do that. We have a blog, but we don't have any control over that. We just submit things to it once in a while. Flickr, we can't have one of those. So those are national; I don't think we're allowed to. We don't have very much available to us. Instagram is another one.

In addition, many participants noted that they had a complex approval process regarding the content strategies and actions on social media sites to make sure that posts were considered appropriate and did not contain any typos or other errors. Furthermore, this approval process regarding which features or content strategy to use greatly influenced the nonprofits' interaction and engagement with social media audiences. For instance, a participant talked about how her director's preference and approval processes limited the organizations' ability to use social media for public engagement:

> Our main director doesn't like hashtags for some reason. I think they're a great tool to use when you're using Twitter. Now, on my personal account, I use them a lot. When it comes to responding to different posts from other organizations, it's kind of hard to go through that approval process. We'll like on Facebook or favorite something that somebody says on Twitter, but we won't necessarily respond in words.

Design Implications

Our findings provide a background for understanding the challenges for small organizations in using social media to engage with diverse stakeholders and enact different public engagement goals. Small organizations need to better understand and evaluate the success of their social media performance, especially given the lack of awareness and information regarding their social media audiences and whether social media can foster long-term, productive relationships with those audiences. Small organizations also face several interorganizational challenges that sometimes hinder their engagement goals. These all call for significant design and research trajectories to support complex social media use for public engagement in small organizations.

Managing Social Media Multiplexity for Engagement

For small organizations, the challenges of engaging diverse stakeholders involve not just one single social media platform but also a complex social media ecosystem. In this research, we found evidence of how small nonprofits perceived the effectiveness of different social media sites: Facebook was seen as effective at engaging general public audiences; Twitter was seen as particularly useful for engaging other organizations and reporters; and blogs were seen as effective at aggregating diffuse information scattered across other social media platforms. These insights extend prior work examining nonprofits' use of social media in understanding their practices on a single social media platform[2] and discussion about the effectiveness of different social media sites in advocacy.[3]

However, to be effective for small organizations, using multiple social media sites requires expertise, time, a relatively stable workforce, and proper collaboration among organizational staff. Most small organizations are constrained in their capacities to be able to manage and fully maximize the power of multiple social media platforms. Our findings indicate that social media platforms and tools to manage or make creative use of those platforms (such as Hootsuite, Sprout, and Storify) should better support heterogeneous content strategies, audiences, and stakeholders of organizational social media sites. Social media management systems should be designed not only to provide tools to manage multiple sites but also to provide guidance on how to use the unique affordances of each site to engage with different stakeholders. Visualization tools should provide straightforward and integrated summaries of individual and overall performance of different social media platforms. In addition, there is a need for tools to track interactions with different stakeholders, such as the number of retweets, @s, and conversations with other organizations, reporters, and donors.

Connecting Information, Community, and Action

We found that small nonprofits, like large ones, seek to fulfill different engagement goals through social media sites. Social media are seen as promising for increasing information and awareness but less effective at engaging with community or mobilizing people into the types of action that the organizations want to engender. These results echo previous literature, which found that nonprofits failed to use social media for dialogic communication[4] and faced the challenge of "slacktivism," in which participants only make minimum support efforts online without devoting real actions.[5]

Another challenge for small organizations is the lack of accurate feedback regarding their social media performance. Though social media analytical tools that aim to measure social media success exist, these tools primarily target business sectors that measure the return on investment (ROI) of technology use such as sales and brand value. Most of these tools are also not free, which limits small organizations' ability to use them.

These findings have many implications for the design of social media analytical assessment tools for public engagement. There is, in particular, an absence of metrics that assess social media's connection to important outcomes such as fundraising and volunteer recruitment. In addition to measuring the ROI of social media sites, it is also critical to support connections between social media performance and public participation performance. There is a need to connect social media analytical tools with more situated traces and records of which social media followers are really engaged and motivated to action—possibly through organizational information systems and metadata of volunteers' and donors' information (such as linking to online volunteer recruitment-management tools such as VolunteerMatch.org and fundraising sites such as giveforward.com) as well as existing volunteer or donor e-mail lists. These tools should also help aggregate detailed demographic and background information of participants to help small organizations better target and filter highly motivated audiences and mobilize them from "likers" to engaged actors.

Supporting Organizational Social Media Management

In our study, we also highlighted several organizational factors that influenced social media use in small organizations' public engagement practice. It is crucial for computer–human interaction (CHI) researchers to acknowledge these constraints when designing social media tools for small organizations. It is also important pragmatic information for small organizations that want to facilitate their social media sites' engagement with diverse communities.

We found that multiple people were typically involved in the nonprofits' social media management—either through dividing work among staff members or sharing responsibilities with multiple staff, specialists, and volunteers. This strategy poses potential problems related to coordination and quality control; it can also blur the boundaries between personal and organizational accounts.[6] In addition, existing social media sites are usually designed for one account per organization or person who manages the public account. As a result, there is a need for social media management tools that support multiple users and multiple accounts, and provide the necessary links or distance between official and unofficial organizational social media accounts. In order to support efficient social media management within small nonprofits, the design of organizational social media platforms should also effectively incorporate the organizational internal workflow with different social media sites, such as drafting, editing, approving, and scheduling posts.

In addition, organizational norms and routines, such as unwieldy, slow, and/or hierarchical approval processes, also prevented small organizations from being creative in content strategies, being interactive in communication strategies, and, in some cases, even adopting useful social media channels. In general, participants expressed a desire for greater flexibility and autonomy regarding social media site decisions and strategies. The influence of organizational norms and culture reflected the influence of power-oriented structures on the use of technology in the adaptive structuration theory,[7] and was found in social media use in other organizational contexts.[8] This suggests that small organizations should identify and resolve tensions between different constituents and coordinate to find the best strategies for using social media for public-engagement goals. Our findings also indicate that the design of organizational social media management tools should provide proper editing or management rights to certain aspects of work and organizational staff—for example, which type of work should be approved by which group of people—in order to mitigate conflicts between organizational power and efficiency of social media management.

Notes

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Is Each Site in Your Nonprofit Network Raising as Much Revenue as It Can?

by Mark McKeag and Andrew Flamang

To help enhance fundraising performance, nonprofits with multiple chapters and affiliates might do well to consider using the share-of-wallet analytical tool, which in the corporate world measures the amount of customers' total spending at a business. For the nonprofit sector, the tool can help us to better understand individual giving and why certain donors give the amount they do, in the manner they do, and when they do across each site.

This article, drawn from a new Bridgespan Group report, looks at one way national nonprofit networks (defined as associations or affiliate or membership organizations, with multiple sites and a common brand) are optimizing each individual site's capacity to attract its share of local donated dollars. To access the report, please see www.bridgespan.org/Publications-and-Tools/Funding-Strategy/Helping-Nonprofit-Networks-Strengthen-Fundraising.aspx.

While it is common for large nonprofit networks such as the YMCA or The Salvation Army to compare costs and revenues across sites, few have attempted to ask which sites are doing the best job of maximizing fundraising potential—what we call *fundraising effectiveness*. In other words, is Site A not only raising more money than Site B but also capturing more of the available donor dollars for its cause in its community than Site B? That kind of comparative analysis can be used to help networks and individual sites learn and adapt best fundraising practices from top performers.

For at least twenty-five years, the corporate world has used an analysis called *share of wallet* to measure the proportion of customers' total spending that a business captures in the products and services it offers.[1] "It's very common in our work," explained Dianne Ledingham, a leader of Bain & Company's Customer Strategy & Marketing practice area. "Anytime we work with a multisite or multiproduct organization, we do a share-of-wallet analysis—which is really just share of market." It's an analytical tool that nonprofits can adapt to enhance their fundraising effectiveness.

To date, only a few nonprofit networks have experience with share of wallet.[2] The United Way, for example, which has a strong analytical tradition and something of a private sector mindset, already uses a form of share of wallet to analyze fundraising performance across its affiliates. But the concept appears to be catching on. The Bridgespan Group, for instance, recently worked with several nonprofit networks to adapt the tool, and many others are thinking about how to incorporate it into their fundraising efforts. Sondra Madison, national vice president for operations and collaborative strategy at Boys and Girls Clubs of America, noted, "This kind of analysis has come up in our conversations with clubs. We love the idea of this, and it wouldn't be too laborious to implement."

Nonprofit networks are drawn to share-of-wallet analysis because it can measure how much individual donors are giving to each network site as a *share of total income in the community.*[3] The network can then compare that measure across sites. This allows for a ranking that takes into account community size and income, giving a truer comparison of how sites are doing at tapping into available resources in that community or service area.[4] This kind of data makes it possible for networks to answer three key questions:

1. Who are my top performers?
2. How much variation is there between sites, and where does it occur?
3. How much value is there in raising lower performers to at least the median?

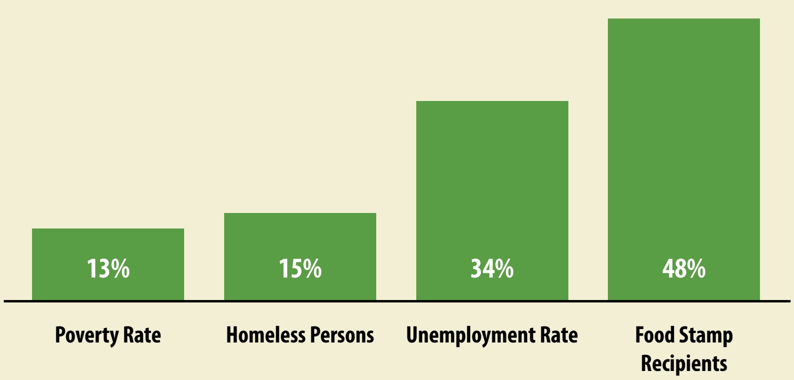
Consider the example of The Salvation Army Empire State Division, with multiple full-service sites across Upstate New York, each of which raises some or most of its funds locally. The Division in recent years found itself facing a steep challenge in meeting the ever-growing needs of the communities it serves. (See Figure 1.)

The Empire State Division in 2014 had forty-two full-service sites and, having worked hard to cut costs and improve efficiency, asked how it might improve fundraising performance. Donations from individuals were key. The sites get a significant portion of their fundraising dollars this way, including not only the ten- and twenty-dollar bills that passersby stuff into The Salvation Army's famous red kettles during the holidays, but also seasonal appeals by direct mail and major donor gifts from affluent supporters. The Division had data on the amount of money each site raised; it is no surprise that the biggest cities—Syracuse, Buffalo, and Rochester—raised the most, with budgets several times those of small communities like Oswego or Wellsville.[5] But did raising the most mean they were top performers in tapping available local dollars and, as a result, are best-practice role models?

Applying Share-of-Wallet Analysis

To answer that question, the Division conducted a share-of-wallet analysis that focused on individual giving (which could also include events, if the revenue was mainly from individuals). It involved six steps.[6]

Figure 1: Need for the Army Is Growing
Estimated percent change in Upstate NY, 2008–2012



Step 1. Identify which categories to analyze within individual giving. The Empire State Division's analysis followed its three distinct revenue streams from individuals: red kettles, seasonal mail appeals, and other donations. For other networks, revenue streams such as fundraising walks or other special events might be the right categories. Some networks may have only a single type of individual-based revenue worth analyzing. Use the categories that are most logical and most comparable across sites for your organization.

Step 2. Collect multiple years of fundraising data. Comparisons for a single year might be thrown off by an outlier, such as one really big gift. The Empire State Division used three years of fundraising data for each site—looking at results for each year and then across all three years. It found that the top performers in a single year were usually the top performers in the other years as well, suggesting that those sites were using fundraising practices that worked over time.

Step 3. Segment sites into logical groupings. The essence of share-of-wallet analysis is that it allows sites to learn from their peers, so it may make sense to look at comparisons both across the entire network and within categories of sites that share similar characteristics. Many networks already have categories in place, and such existing groupings may be the best place to start. The most logical grouping is by size, but, for some networks, another form of segmentation (by type or region) might also be worthwhile. The Empire State Division divided its forty-two sites into five segments based on annual revenue. It then analyzed the data both within segments and across all forty-two sites. This allowed Division leaders for the first time to see not only that one small community outperformed another, but also that, in terms of share of wallet, some little communities outperformed the largest cities.

Step 4. Identify the site boundaries or service areas for which income will be calculated. The Empire State Division had already assigned every ZIP code in Upstate New York to their sites, making analysis easy. If it's necessary to draw geographical boundaries specifically for the share-of-wallet analysis, be sure that each site's boundaries incorporate the great majority of the people it serves and from whom it raises money.

Step 5. Based on income, calculate share of wallet. For each funding category, share of wallet is simply fundraising yield as a share of the income within that site's service area. Because the actual percentage is a very low number with a lot of zeros after the decimal point, it's easier to omit the zeros and express share of wallet as a number greater than one. In Figure 2 this is expressed as dollars raised per $100,000 of community income. The chart depicts how a share-of-wallet analysis might look for a hypothetical group of fourteen sites within a network. While the chart does not use actual data from the Empire State Division's analysis, the numbers reflect the kind of variation found.

Step 6. Analyze the data. In examining the data from the share-of-wallet analysis, it is important to determine whether the findings merit taking action and what the action priorities should be, given that most networks don't have the resources to focus on improving practices everywhere.

Carrying out the analysis proved to be an eye-opener for the Division. "[Before the analysis] we really didn't look at fundraising potential, just at the current reality," said Paul Cornell, the Division's financial secretary. "I was surprised by what we found. Doing that analysis was revealing," he added. More important, it answered the three key questions that any such analysis should address.

1. Who Are My Top Performers?

Several sites appeared to be performing much better than the median. In fact, a couple of the Division's smaller sites emerged as the top performers on a share-of-wallet basis, beating out larger sites. In analyzing share-of-wallet results, it's also important to incorporate information that might explain unexpected variations. In some instances, a particular event or circumstance—such as a funding spike in the wake of a natural disaster—may distort the findings for a site.

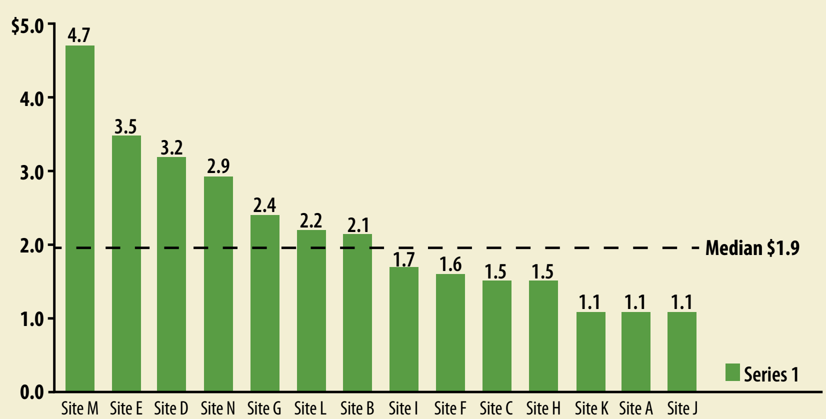
2. How Much Variation Is There, and Where Does It Occur?

In our hypothetical example (Figure 2) there is a lot of variation. The top-performing site raises a share of wallet more than four times greater than the lowest-performing site. Several sites raise a much greater share than the median, and several raise a much lower share. The amount of variation and where it occurs, combined with judgments about the greatest opportunities for improvement, will help you think about where to invest your time and effort. If the amount of variation is roughly equal across each of several fundraising categories, but one category raises far more than the others, you may want to focus first on that biggest revenue category. If there's only slight variation in some areas but a lot in others, you may want to focus first on the areas with the most variation—and, presumably, the most opportunity for improvement among the lower-performing sites.

3. How Much Value Is There in Raising Lower Performers to the Median?

Continuing our hypothetical example, raising all the underperformers up to the median would bring in an additional $4.3 million. (Figure 3, on the following page, shows this calculation in orange.) When the Empire State Division did this same calculation based on its share-of-wallet analysis, it found that getting all the lower performers up to the median could bring in an extra $2 million a year—a substantial amount of money for the Division. Raising everyone to the median shouldn't necessarily turn into an organizational goal. What is the chance,

Figure 2: Example Network Share-of-Wallet Analysis: Initial Output



after all, that *all* the below-average performers could improve? The purpose of this calculation is to help you to understand the scope of the potential gains and how much to invest in the effort.

Learning and Sharing Lessons from Top Performers

Finding your top performers is part of the battle, but the goal is understanding how they achieved their fundraising effectiveness and then sharing those lessons with other sites to boost lower performers. To get there, you need to identify which practices might be driving top performers.

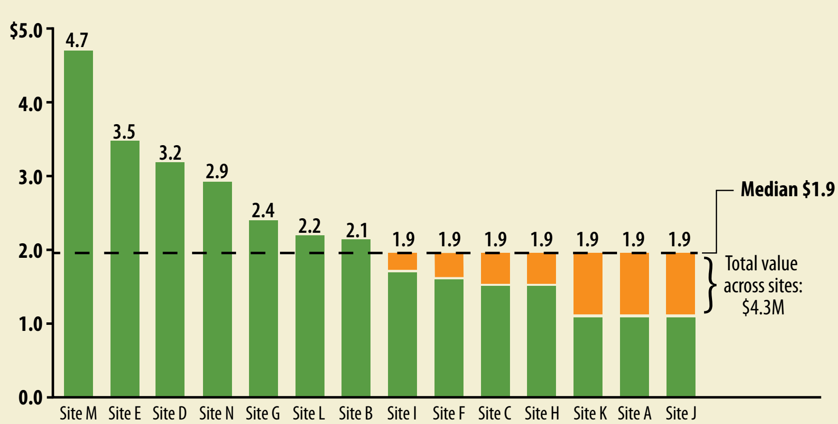
Working with the Empire State Division and using the results of its share-of-wallet analysis, Bridgespan interviewed officers at the top-performing sites to identify fundraising practices that lower-performing sites might adapt. We synthesized what we heard, tested these findings both with divisional leaders and a range of site leaders, and identified what might be broadly applicable. For example, we heard about some very specific practices related to the red kettles: where volunteers were sent, and which shifts they took (late afternoons and evenings seemed to be especially productive). In addition, the higher-performing sites seemed to have a deeper understanding of funders, stakeholders, and partners in their community, so we developed a community assessment tool that every site could use to strengthen this understanding. And we listened carefully for what wasn't working so well—for example, "We don't have a good way to track and analyze our donors," and "We need to think more strategically about donor price points." Based on these identified gaps, we reached outside the network for tools—such as an approach to categorizing donors by giving level—that might address those needs.

How a network broadly shares what it has learned from a share-of-wallet analysis also depends on organizational culture and established methods of communication. Regardless of whether a network operates as a single entity—such as The Salvation Army—or a set of independent affiliates—such as the YMCA—sites themselves will need to be partners in a dissemination process that includes the following:

- **Codify practices as concretely as possible.** Give examples, adapt tools already in use by one or more sites, or create new ones reflecting best practices or identified needs. For the Empire State Division, the community assessment tool has gotten the greatest traction across the network. "It has really given the officers the opportunity to look at what is happening in their communities," explained Peter Irwin, director of advancement. "It's showing sites what the needs are, where the duplications are, and the strengths and weaknesses in their relationships with the community."
- **Have peers teach peers the promising practices.** But carefully consider who is most likely to learn from whom. The reason for segmenting the share-of-wallet analysis by size or other criteria is so that sites can learn from others whom they consider their peers. As Lynn Hepburn, the chief development officer of Girls Inc., reminded us, "One major challenge in adopting best practices is that smaller sites can't imagine doing the same things that larger sites do."
- **Keep the dissemination process going.** Don't stop learning and sharing, including the successes and challenges that emerge as sites seek to adopt some of the practices of the top performers.

The Empire State Division is spreading both the community assessment and donor categorization tools across its network, and the red kettles have been the centerpiece of the Division's performance improvement effort. Division leaders were able to combine insights identified through the share-of-wallet process with a national tool called Kettle Manager, first used by the Empire State Division in 2013, just before its share-of-wallet analysis got under way. Indeed, a particular value of share-of-wallet analysis may be, as in the case of the red kettles, when insights from it connect with and reinforce other efforts already under way in the organization. In 2014,

Figure 3: Example Network Share-of-Wallet Analysis: Revenue Potential



the Empire State Division's improvement efforts helped it to chalk up the largest gain in red kettle revenues that year of any of the forty Salvation Army USA divisions.

Seeing the fundraising results from the improved red kettle practices has been a huge driver of progress within the Empire State Division, said Irwin. "When officers start to see the results, a light goes [on]. It makes them understand that change is important." Beyond giving funding a boost, the share-of-wallet analysis generated insights "about how we should focus our efforts and resources within the Division," said Cornell. Indeed, share-of-wallet's days as an analytical method used only by the private sector may soon pass, as more nonprofit networks embrace its power to strengthen their fundraising effectiveness.

Notes

1. *The Bankers Magazine: Reprints from the Collection of the University of Michigan*, vol. 176, University of Michigan Library, 1964.
2. Nonprofit networks are uniquely able to do this because they have a sufficient number of sites to make comparisons useful, and they have access to relevant data for all of those sites.
3. We use income as a proxy for total giving, because this data is much easier to gather and use.
4. Share of wallet could potentially also be used to compare performance in other funding streams (such as corporate or foundation giving), though income would probably not be the best denominator, as it is for individual giving. Instead, one would use something like total corporate or foundation giving within a particular community or service area. (Unlike U.S. Census income data, this isn't as readily available.)
5. Information taken from The Salvation Army Empire State Division internal financial data.
6. See "Share-of-Wallet Analysis How-To Guide" and accompanying DIY analysis spreadsheet, www.bridgespan.org/Publications-and-Tools/Funding-Strategy/Share-of-Wallet-Analysis-How-To-Guide.aspx.

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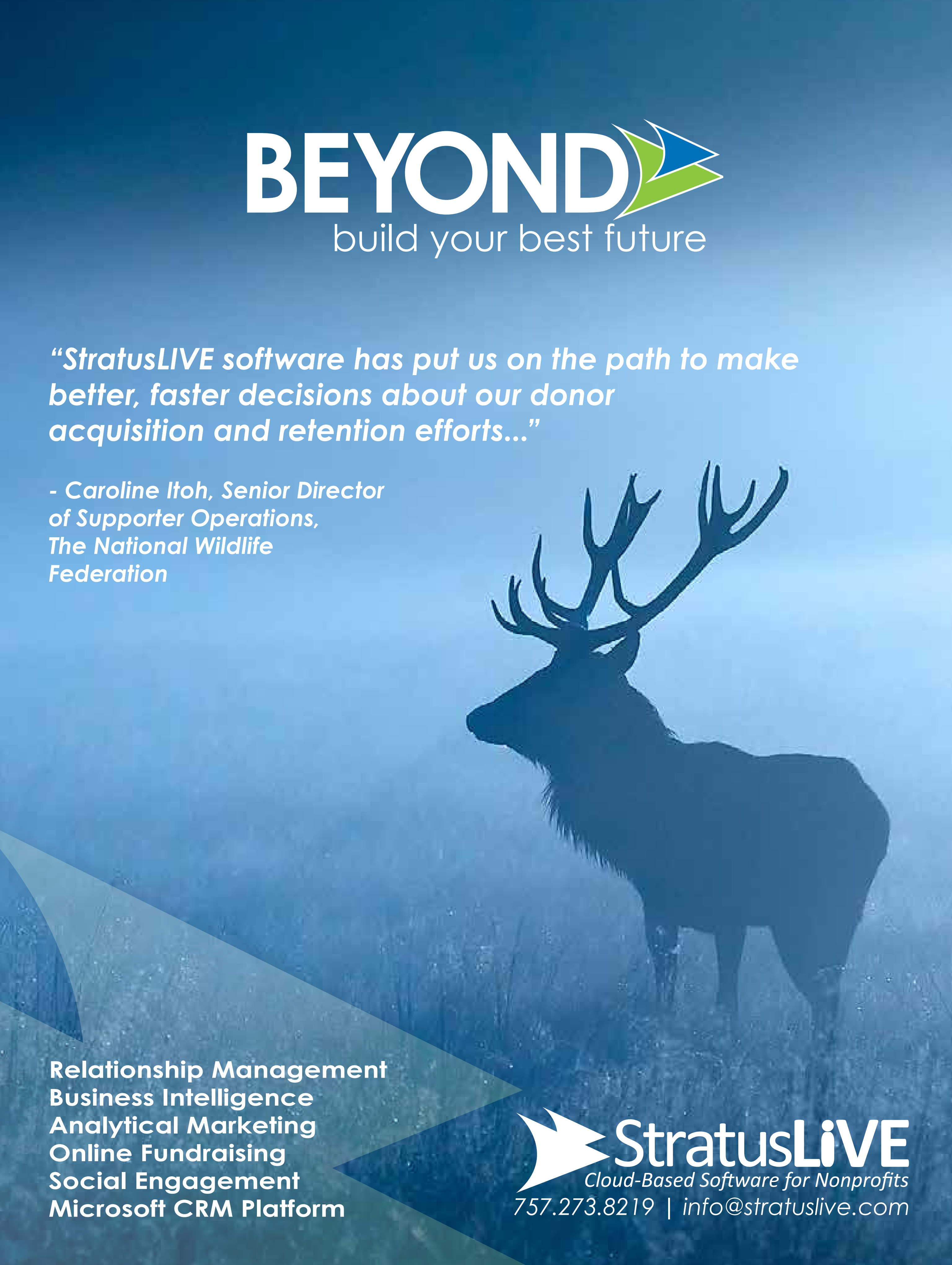
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